

# Accountancy

JUNE 1951

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VOL. LXII. (VOL. 13 NEW SERIES) NUMBER 694

## Professional Notes

### Meetings of Incorporated Accountants

THE SIXTY-SIXTH ANNUAL GENERAL MEETING OF THE SOCIETY OF INCORPORATED ACCOUNTANTS was held on May 23. A large number of members gathered at the meeting and heard the address of the President, Mr. A. Stuart Allen, F.S.A.A. We reproduce the speech in the present issue (pages 206 to 211) and discuss it in our editorial article.

On pages 234 to 235 we publish a report—somewhat condensed because of pressure upon our space—of the discussion at the meeting following Mr. Allen's address.

The Incorporated Accountants' Benevolent Fund held its annual general meeting following that of the Society, with the President of the Fund, Sir Thomas Keens, D.L., in the chair. We publish the annual report of the Fund on pages 244 and 245; a report of the proceedings at the meeting will appear in the next issue of ACCOUNTANCY.

### The New President and Vice-President

We have pleasure in announcing that at a meeting of the Council of the Society of Incorporated Accountants, held on May 23, Mr. Charles Percival Barrowcliff, F.S.A.A., Middlesbrough, was elected President of the Society.

Mr. Barrowcliff was awarded the Society's Gold Medal for taking first

place in the Final examinations held in 1908, in which he obtained Honours. He was elected to Fellowship in 1920 and became a member of the Council of the Society in 1936. In 1949, he was elected Vice-President. From 1937 to 1939, Mr. Barrowcliff was President of the Incorporated Accountants' Newcastle-upon-Tyne District Society. He is senior partner in the firm of Messrs. C. Percy Barrowcliff & Co., Incorporated Accountants, of Middlesbrough, Newcastle and Leeds. He is a native of Stockton and has been in public practice for over 35 years.

Mr. Barrowcliff has had a distinguished career as a cricketer and played for Durham County; he was captain of Stockton Cricket Club for 25 years. He was a slow leg break bowler and had the rare distinction of twice taking four wickets in four balls.

Mr. Bertram Nelson, F.S.A.A., partner in Lithgow, Nelson & Co., Incorporated Accountants, of Liverpool, London and Southport, was elected Vice-President of the Society. Mr. Nelson obtained Honours in the Final examination in 1929 and was elected to Fellowship in 1933.

Mr. Nelson was elected a member of the Council in 1937 and has been Chairman of the Incorporated Accountants' Research Committee since 1942. Among other offices, he holds the chairmanship of the Liverpool Chamber of Commerce and of the Company Law Committee of the Association of British Chambers of Commerce, and is a member of the Board of Trade Consultative Committee on Companies.

### Revaluation of Fixed Assets

Despite the outstanding example of *Imperial Chemical Industries*—whose recent revaluation of fixed assets we note on page 229 of this issue—not all company directors are agreed on the wisdom of revaluing fixed assets, at any rate at the present time, though all acknowledge that the problem of providing adequately for replacement is nowadays no light task. Clearly, companies must have a pretty shrewd idea of the contemporary value of their fixed assets, since the dangers in under-insuring are patent. In his speech with the accounts of *Pressed Steel* the chairman (Major Albert Pam) puts his case against revaluation as follows:



**C. PERCY BARROWCLIFF, F.S.A.A.**  
*President of the Society of Incorporated Accountants*

You will have heard that some companies, among them a few of the largest, are considering a revaluation of their fixed assets, in order that their shareholders may know the present value of their buildings, plant and machinery. In my opinion, it is too early yet for us to contemplate undertaking such a step. Neither costs nor financial conditions are yet sufficiently stable; we do not know how far the inflation of currency is going, nor the effects of rearmament. It would be inexpedient to go to the trouble and expense of a revaluation while so many fluctuations are still taking place—it might be necessary to undertake it again

in a year or two's time because conditions had again changed. We are therefore retaining the historical cost of our buildings, plant and machinery, less depreciation, while we tell you that these assets, which have been maintained in an excellent state of repair, are to-day worth two or three times their book cost and that their replacement cost would be three times or more, if we were lucky enough to get delivery at all. It would probably take many years before we could replace these assets, but fortunately we really only need at present to undertake minor building operations and to order individual items of machinery to increase special production from time to time.

## Reopening of Incorporated Accountants' Hall

Incorporated Accountants' Hall is again the headquarters of the Society. The damage done by Hitler's flying-bomb in 1944 has been fully made good and the building faithfully restored in its distinctive architecture and craftsmanship. The skill of Sir Percy Thomas, P.P.R.I.B.A., the supervising architect, has ensured that all the characteristic features of the original building remain, even that some details are improved. So this "casket built entirely of Portland stone" again takes its place as one of the notable late-Victorian buildings of inner London, and the Society of Incorporated Accountants once more has a home of which it can be proud. It is indeed regrettable that earlier plans for an extension of the building, which were carefully devised to secure harmony with the existing elevation, have had to be put aside until the national situation allows this much-needed additional accommodation to be built. Meanwhile, however, some internal rearrangement, and the renting of an editorial office for *ACCOUNTANCY* in the building immediately behind Incorporated Accountants' Hall, have somewhat eased the pressure upon space.

Incorporated Accountants' Hall, built by Lord Astor in 1895, was purchased by the Society in 1928 and opened by His Majesty the King (then Duke of York) in 1929. At a reception given last week on the reopening of the Hall, there were present the Lord Mayor of London; the Right Hon. The Viscount Jowitt (Lord Chancellor); the Right Hon. Lord Justice Cohen; Sir Bernard White (Chief Registrar of Friendly Societies); Sir Edward Bridges (Permanent Secretary, H.M. Treasury); the Right Hon. Viscount Bruce of Melbourne; the Very Rev. W. R. Matthews (Dean of St. Paul's); the Right Hon. Lord Balfour of Burleigh (Chairman, Lloyds Bank, Ltd.); the Right Hon. Lord Piercy (Chairman, Industrial and Commercial Finance Corporation); Mr. H. Garton Ash (President, Institute of Chartered Accountants); Mr. A. A. Garrett; and many other notabilities. We hope to include as an inset to our next issue a photograph of the restored building.

## Annual Meeting of the Institute of Chartered Accountants

The Institute of Chartered Accountants held its annual general meeting on May 2, with the President, Mr. Harold Garton Ash, O.B.E., F.C.A., in the chair. Mr. Ash revealed that no premium or only a nominal premium is now required under most articles of clerkship with members of the Institute. Of the premiums that are paid a substantial proportion are returnable over the period of the articles. Many articulated clerks receive a salary. Discussing training for the profession, Mr. Ash referred to the report of the Carr-Saunders Committee and strongly criticised three of its recommendations. One would involve raising to at least 18 years the age at which articles could be entered into: the Institute thought it unjust to close the door to persons between the ages of 16 and 18. Another recommendation would require revision of examination syllabuses and the granting of exemptions to those holding the National Certificate for Commerce, but the Institute regarded it as its duty "to resist interference with control of its own examination system, which is constantly under review." On the third recommendation, that the "sandwich" principle should be adopted, under which courses in technical and commercial colleges would be taken in the daytime concurrently with practical training, Mr. Ash said that it was "difficult to visualise any proposal so remote from the realities of the profession" and so prejudicial to the interests of articulated clerks.

Mr. Ash referred to the divergence of practice in the profession regarding stock-in-trade and work in progress. Some auditors consider their function is only to obtain a certificate from the management of the business. Others think it necessary to make such tests and enquiries as will satisfy them that sound principles have been applied to arrive at a stock figure which is true and fair. Every advantage, continued Mr. Ash, was to be gained if the auditor re-examined his procedure in regard to stock, so as to decide whether it satisfied the high standard expected of the accountancy profession to-day, or whether it could be extended—without assuming responsibilities which properly rest on others.



BERTRAM NELSON, F.S.A.A.

*Vice-President of the Society of Incorporated Accountants*

### Accountants and the I.C.F.C.

In our regular feature, The Month in the City, we comment upon the report and accounts of the *Industrial and Commercial Finance Corporation* for the year ended last March (page 229). Members of the accounting profession will be particularly interested to note that of the 634 applications for finance which were received during the year 1950-51, one-third were stated as coming through accountants and solicitors. One-third were received direct from the businesses seeking funds, one-sixth from bankers, and one-sixth from other directions.

Lord Piercy, the chairman of the Corporation, has said that the applications received direct or through accountants often originate in suggestions made by a bank.

A statement by the chairman, circulated with the report, shows that the Corporation is trying to assist in solving the problems which are created for private companies by the incidence of death duties. With some companies so affected it has been able to make arrangements which are calculated to ease the financial difficulties and to help to maintain continuity of management.

### British Firms of Accountants in South Africa

The South African House of Assembly has added a clause to the Public Accountants and Auditors Bill prohibiting partnerships with firms of accountants practising in other countries. This addition to the Bill—the main purpose of which is to enforce registration of accountants practising



in South Africa (see *ACCOUNTANCY*, April, page 127)—would mean the disappearance in the Union of a number of well-known firm names, mostly British. The firms affected, of which the main ones are Deloitte, Plender, Griffiths, Annan and Co.; Price Waterhouse and Co.; Peat Marwick Mitchell and Co., and Cooper Bros., would not be able to use their names in South Africa unless all partners were registered there.

At the time we went to Press the Bill had not been passed by the Senate, so it is still not certain that the clause will be incorporated in the new legislation. It is, indeed, possible that the sponsoring Minister will decide, on reflection, that the clause, at least as it is now worded, is undesirable. It is known that there have been discussions between him and some of the firms affected.

### Certified Accountants' Meeting

A large part of the address of Mr. Frederick Wilson, O.B.E., F.A.C.C.A. (President of the Association of Certified and Corporate Accountants) given at the annual general meeting of the Association, held on April 30, was devoted to this year's Budget. Mr. Wilson thought the Budget deserving of praise for its attempt to stem inflation and for its apportionment of additional personal taxation. But he was highly critical of the increase in the rate of profits tax on distributed profits and the suspension next year of initial allowances. He pointed to the embarrassing consequences of this suspension where capital expenditure of a long-term nature could not be cancelled even at a year's notice; the Chancellor had recognised that a concession was necessary on this account in the shipbuilding industry, but there would be equally disruptive effects, said Mr. Wilson, felt in other industries.

At a meeting of its Council held the day after the Association's general meeting, the Rt. Hon. Lord Latham, F.A.C.C.A. (London), was elected President and Mr. W. Macfarlane Gray, F.A.C.C.A. (Stirling) was elected Vice-President.

### Accounting Research

The current issue of *Accounting Research* (Volume 2, Number 2) contains articles

on the Theory of Foreign Branch Accounts, by W. T. Baxter and B. S. Yamey; Reserves, Provisions and Profits, by H. C. Edey; A Slaver's Accounts, by Bradbury B. Parkinson; A Preliminary Report on the Measurement of Productive Efficiency, by a sub-Committee of the Incorporated Accountants' Research Committee; and The Impact of Indirect Taxes on Costs, by R. W. Moon. There are also communications on the subject of Replacement Costs and book reviews.

The journal is published by the Cambridge University Press for the Incorporated Accountants' Research Committee at 25s., post free, per volume of four issues. Single copies cost 7s. 6d. plus 4d. postage. Orders should be sent through a bookseller or direct to the Cambridge University Press, Bentley House, 200, Euston Road, London, N.W.1.

### Research on Time Studies

A nation-wide survey of time study practice has been conducted by the Institute of Cost and Works Accountants and the Institution of Production Engineers in collaboration with the University of Birmingham. The survey was primarily intended to assess the standards of accuracy and consistency in present rating practice, but its sponsors hoped that it would also make time studies better known in industries where they are at present little used.

Engineers computed their times for certain industrial and laboratory operations and compared them with provisional values established by a control group of time study engineers. They were then asked to record the rating values for both normal performance and standard (or incentive) performance. For example, the values might be 60-80, the first figure being the normal and the second the standard value. The full analysis of the survey, to ascertain the quality of time study rating, is now being carried out and the further results are expected to be published later this year. Further research work is also being undertaken to estimate the effect of a number of variables in time study practice, additional to those which can be assessed from the survey.

The preliminary results show that there were no less than 37 different

rating scales quoted by the engineers taking part in the survey, with a full range of 60-135, although 75 per cent. of engineers used a scale based on a normal performance rating of 60.

### The Officers' Association

In 1949-50 the Officers' Association and Officers' Benevolent Department of the British Legion assisted financially 7,630 ex-officers and their dependants, at a cost of over £141,000, placed 930 ex-officers in employment (43 per cent. of them in the "over 40" group), assisted 581 children with their education and helped ex-officers in many other ways—financially, with advice, in training for a career and so on. The net excess of expenditure over income was reduced to £871, compared with £35,922 in the previous year, but this was largely the result of special grants and the Association needs further support from individual annual and life subscribers. It is also a worthy recipient of donations or legacies.

A sub-committee was appointed under the chairmanship of Major John Hogg in May, 1950, to examine the administrative costs of the Association and to make recommendations. The Council in its Report for 1949-50 expresses thanks to the chairman and to Lt.-Col. I. A. F. Craig, O.B.E. (the Secretary of the Society of Incorporated Accountants) for their thorough investigation and valuable report.

The Council of the Association urges employers to consider filling vacancies with ex-officers, particularly the "over 40's," of whom there are more than 700 on the "live" register maintained by its Employment Bureau.

### SHORTER NOTE

#### C.I.R. versus the Evaders

We were glad to notice that in opening the Second Reading debate on the Finance Bill, the Financial Secretary to the Treasury said that the Inland Revenue were embarking, with the help of additional expert staff, on a "major administrative campaign against evasion by those who understate, or fail to return, their profits," and will watch for evidence that the campaign does in fact amount to a major one.



# ACCOUNTANCY

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL ESTABLISHED 1889

*The Annual Subscription to ACCOUNTANCY is 17s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 6d., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.*

## Financing Small Businesses

AT THE END OF HIS TWO-YEAR TERM OF office as President of the Society of Incorporated Accountants, Mr. A. Stuart Allen gave an address (reproduced in full on pages 206-211) on a theme which is peculiarly apposite to-day. The theme was the financial obstacles in the way of the development of the British economy: the problems of "the germination and growth of business." Mr. Allen found that over the last two decades a typical small business would have needed to increase its annual earnings by some 208 per cent. before tax, if it were to provide its proprietor with an annual income equal, in terms of goods, to £100 in 1910-13, and if it were to make an annual addition to trading assets equal, in physical terms, to £100 worth of assets in the same base period. For a rather bigger business, with figures for income and capital accretion moderately larger, the increase in gross annual earnings would have had to be considerably more, about 258 per cent., and for a business still bigger but nevertheless of quite modest dimensions, it would have had to be about 280 per cent. In isolation these three percentages appear large enough, but seen in the better perspective of the corresponding percentages for the preceding twenty years (1910-30), calculated on the same assumptions, their expansion is startling. For these corresponding percentages were only 29 per cent., 29 per cent., and 45 per cent. In other words, as Mr. Allen put it:

In the first period of twenty years the approximate range of the imposed annual expansion of earnings was from 1½ per cent. to just over 2 per cent. per annum. In the second period the average range is found to be between 9 and 12 per cent. per annum, and for the later years in this period it must have been appreciably higher.

The causes of this great expansion in

the required earnings of small-scale businesses are the twin evils of price inflation and high taxation. And if they continue, they will produce equally alarming results in the future.

It may, in passing, be noticed that the enlargement of earnings is not an entirely passive factor in the equation, but reacts back upon the price level. If businesses are to expand and proprietors are to be fed, higher prices mean larger earnings, as Mr. Allen's illustrations so forcibly show. But higher earnings mean higher prices. Here is another inflationary spiral which is superimposed on the wages-cum-prices spiral.

There can be no disputing the view, put forward in Mr. Allen's speech, that if the British economy is not to stagnate, its small businesses must be allowed to add steadily, if moderately, to their working assets. Here is the most sensitive sector of the economy and a sector which, composed of thousands of the most enterprising and imaginative of the population, is responsible for a very large part of the national product. If the rise in prices continues and taxation is not greatly reduced, either these businesses must finance their expansion in the way in which they have predominantly done so in the past—out of their own earnings—or they must borrow funds for the purpose. As things are at present arranged, there is no medium which enables outside finance to reach businesses of this kind in anything like the required sums. They are too small to be served by even that successful institution, the *Industrial and Commercial Finance Corporation*, which was especially set up to aid companies not large enough to have recourse to the new issue market. Some outside finance of a private kind is continually reaching small businesses, as practising accountants know, but its

aggregate amount is modest, and it passes along no regular or well-defined channels.

If, then, we take it as highly probable that inflation will go on—there is hardly an economist prepared to assume the contrary—it seems that there are only two alternatives, failing the decay of this essential part of British industry and trade, which surely is not to be contemplated. Either it must be recognised that earnings of small businesses quite out of proportion to the figures of the past are necessary for the proper accretion of their physical assets, or ways and means must be provided for financing them from external sources. The first course means that the one-man business and the small firm should neither be criticised for "profiteering" if "profits" figures appear to be inflated, nor prevented from reaping these large earnings. It might also imply that there is a good case for special taxation treatment of concerns in this range, whereby they could finance new assets out of untaxed earnings up to a certain limit. This suggestion has already been put forward by Professor W. A. Lewis, of Manchester University, and it is one to which, it is to be hoped, the Royal Commission on Taxation will pay some attention.

The second course would involve, to adapt Mr. Allen's words, a far-reaching scheme for irrigating with external capital funds all the industrial seedlings in the country—an innovation of enormous magnitude and difficulty. It is possible that the organisation of the banks could be enlisted in such a task. They might graft on to their banking business proper a subsidiary business whose function would be the distribution of long-term finance to small concerns. But the finance would have to be ultimately provided—or at least guaranteed in some way—by the Government, for while the British banks probably have the machinery for the job, they could not be expected to depart from their traditional aversion to long-term financing on their own account, an aversion proved by foreign experience to be entirely well-founded. At present we are here in the realm of speculation, it is true, but if current trends continue, even a large-scale experiment of the kind envisaged may have to be tried.

# The President's Speech

## THE GERMINATION AND GROWTH OF BUSINESS

*We give below a full report of the speech by the President, Mr. A. Stuart Allen, F.S.A.A., at the annual general meeting of the Society of Incorporated Accountants on May 23, 1951.*

I TRUST YOU WILL BE ABLE TO AGREE THAT THE REPORT of the Council for the year 1950 is both full and informative and that detailed perusal is not necessary this afternoon. Should members desire to raise any questions I suggest they can be dealt with more conveniently before the resolution for adoption is put to the meeting.

With your consent, therefore, I will now turn to matters not dealt with or not fully covered in the report itself.

### INCORPORATED ACCOUNTANTS' HALL

It may have caused some surprise and disappointment that this meeting is not being held in our own Hall. Unfortunately that was not practicable for a number of reasons, which I need not detail, but members will take great pleasure in the thought that henceforward we can hope to conduct all the proceedings of the Society in the Hall of which we are justifiably proud.

The damage which the building sustained in 1944, serious and extensive as it was, has not prevented faithful restoration and we are greatly indebted to Sir Percy Thomas for the skill and attention he has devoted to preserving the characteristics of the building and even to enhancing them in certain respects.

It is now some twenty-two years since His Majesty the King (then H.R.H. the Duke of York) was graciously pleased to attend the formal opening, and our pleasure and satisfaction in returning after a long absence in cramped and uncomfortable temporary offices will only be slightly tempered by regret that the plans for extension to meet our growing needs have had to be deferred, due to national exigencies.

### ACCOUNTANCY BODIES OVERSEAS

The report makes reference to the arrangements for the Sixth International Congress to be held in 1952 and to our Australian and South African Branches. In addition, cordial relations have been fostered by the visits to this country of Professor Gordon Wood and Sir Edwin Nixon, both of Melbourne, and Professor A. H. Tocker, of Christchurch, New Zealand. Mr. T. H. Nicholson, a member of the Council, has recently returned from a visit to the United States and Canada. We expect to meet shortly Mr. G. W. A. Chubb, a member from Johannesburg, although his visit is of a sporting rather than of a professional character, since he is a member of the South African cricket team.

### OBITUARY

Once again I deeply regret the length of the obituary list. Mr. A. N. Foot (Cape Town), Mr. H. P. Gowen (Norwich),

Mr. C. H. Tranmer (Hull), and Mr. E. G. White (Cardarthen) were all most active in promoting the interests of the Society in their respective districts. Mr. A. H. Hughes was an auditor of the Society for twenty-three years, and Mr. Henry Burgess was a member of the Council from 1927 until his retirement in 1940. The Society will deplore the loss of a true friend and the Council of a valued colleague due to the untimely death in February last of Mr. A. H. Edwards. I am confident that I speak for the whole Society in expressing sincere appreciation of the work of all those I have named, and I wish to include the name of Mr. A. T. Keens and to assure our senior Past President, Sir Thomas Keens, that we share his sorrow in the loss of his son, whose courage in the face of continued ill health commanded the respect of all who knew him.

### MEMBERSHIP

I can add nothing to the data appearing on page 3 of the report, but would call your attention to the fact that the growth of membership shown accords closely with the average for recent years.

### EDUCATIONAL DEVELOPMENTS

I referred last year to the changes which had taken place in the field of general education. The first General Certificate of Education examination is being held this month, so henceforward we shall be gaining experience enabling us to compare past standards with those which will now prevail. The Society's regulations in respect of the new General Certificate of Education should be regarded as provisional. We intend to insist on a high standard of general education from students who seek to qualify as Incorporated Accountants and the present regulations will be modified if there are signs that the standard of the new examination does not conform to our expectations. We shall continue to be guided by the valuable advice of Mr. S. H. Wood, who has a wide experience of educational matters. I am glad to have this opportunity of acknowledging the debt we owe to Mr. Wood.

### Training of Students

I particularly wish to emphasise that service under articles should be the main method of recruitment and training of prospective entrants to the Society. The advantages of articles both to the principals and to the clerks are set out in the booklet referred to in the report. I would urge members in practice to grant articles when they are satisfied that the applicant is suitable and seriously intends to equip himself for the profession.



## Courses

Courses were held at Ashridge in June, 1950, and at Balliol College, Oxford, in September. The former was devoted to taxation subjects and the latter to general accountancy; both were most successful. Arrangements have been concluded with Caius College, Cambridge, for September 13 to 18 next. The papers to be presented will be of a general character, designed to be helpful to members of five to ten years' standing. The Council wish to suggest to employers in the profession that they should encourage members of their staff to attend this course.

Members are aware that a conference is being held in Dublin from the 13th to 15th of next month. We are greatly indebted to the President, Secretary and members of the Society of Incorporated Accountants in Ireland for the arrangements they are making in connection with the conference and for the enthusiasm with which they are undertaking the heavy task of ensuring its success.

## CO-ORDINATION OF THE ACCOUNTANCY PROFESSION

I informed members last year that it had been decided not to proceed with the Public Accountants Bill and that alternative proposals were being considered by the Co-ordinating Committee. Early in 1951 a new draft Bill was submitted to the bodies represented on the Committee and was considered by the Council of the Society in March of this year.

The views of the Council on this draft were strongly influenced by the fact that many years ago the profession accepted the principle that a measure of regulation was desirable in the public interest. The Council, therefore, considered it essential that an initial and definite step should now be taken to implement this avowed purpose. It was recognised that certain aspects of the draft Bill were open to serious objection, but it was expected that these features could be modified during the process of bringing the document to the stage at which it would be introduced in Parliament. It was also felt that the full effects of regulation would only emerge over a period of years, which should again provide opportunity for amendments which were found to be desirable in the light of experience. The representatives of the Society on the Co-ordinating Committee were requested to proceed in this sense.

Immediately prior to the next meeting of the Co-ordinating Committee a communication was received from the Institute of Chartered Accountants in England and Wales, the substance of which is expressed by the following extract from the statement made to members of the Institute at their annual general meeting on May 2, 1951, by Mr. H. Garton Ash, the President of the Institute:

I regret to have to report that although new draft Bills in various forms have received the very careful consideration of the Co-ordinating Committee during the last twelve months, it has not been possible to arrive at any draft which the Council feels that it could recommend to members as satisfying the Institute's minimum requirements. I refer to the protection which should be provided both to the public and to members against the activities of unqualified persons who may be engaged wholly or in part in accountancy work of all kinds and who advertise their services. In the opinion of the Council this arises from the impracticability of arriving at any satisfactory

statutory definition of "accountancy" which would be generally acceptable and from the fact that accountancy services which cannot be controlled are rendered by so many persons other than practising accountants themselves. Accordingly the Council has had to advise the Co-ordinating Committee that it has reluctantly reached the conclusion that no useful purpose would be served in continuing negotiations for the co-ordination of the profession on the lines of the draft Bills which have been under consideration.

It was, however, decided that the Co-ordinating Committee should continue in being to explore the possibility of securing amendment of Section 161 of the Companies Act, 1948, so as to extend the application of that section to all companies and to strengthen the requirements of the Act in relation to the qualification of persons who may be appointed auditors.

Mr. Richard A. Witty has been the chief representative of the Society and the Vice-Chairman of the Co-ordinating Committee. The Council are very conscious of the great debt which the Society owes to Mr. Witty for the time and thought he has devoted to this difficult subject over many years.

## CLASS G AND CLASS Z RESERVISTS

The Society has been in close touch with the Ministry of Labour and National Service on the question of the call-up of Class G and Class Z reservists in the event of an emergency. The present plans of the Ministry were outlined to representatives of the accountancy bodies at a recent meeting, but cannot be divulged in detail in view of their confidential nature. It is expected that, as time passes and more trained national service men become available, the need of the armed forces for Class G and Class Z reservists should diminish. The intention is to set up machinery which in the event of an emergency would deal with applications for postponement of recall by individual accountants on grounds of exceptional business responsibilities or of domestic hardship.

The natural anxiety of members subject to recall has the full sympathy of the Council and I wish to assure them that the subject is under constant review both in the national interest and in that of the profession.

## THE GERMINATION AND GROWTH OF BUSINESS

At the annual general meeting of last year I devoted some time to the position confronting an established company of modest size which sought to maintain the volume of its trade and to preserve intact its productive equipment in the face of a rapidly rising price level, coupled with heavy taxation. The general question was already being freely discussed, and my purpose was to make a useful contribution by way of a concrete illustration.

As time passed the importance to the national economy of the issues involved became more widely recognised, and in July of last year the Prime Minister announced the intention to set up a Royal Commission, but it was not until January of 1951 that the terms of reference were promulgated in the following terms:

To inquire into the present system of taxation of profits and income, including its incidence and effects, with particular

reference to the taxation of business profits and the taxation of salaries and wages : to consider whether for the purposes of the national economy the present system is the best way of raising the required revenue from the taxation of profits and income, due regard being paid to the points of view of the taxpayer and of the Exchequer : to consider the present system of personal allowances, reliefs and rates of tax as a means of distributing the tax burden fairly among the individual members of the community : and to make recommendations consistent with maintaining the same total yield of the existing duties in relation to the national income.

Against the background of conditions prevailing in January last the difficulty of the problem committed to the Commission was clearly apparent, and sympathy with the members was expressed at that time. It will have become far more widespread in the light of subsequent developments, particularly the proposals of the recent Budget—the first instalment of the financial arrangements to implement the three years' rearmament programme.

The Society, in common with other accountancy bodies, is preparing evidence for submission to the Commission, and we shall do everything in our power to ensure that our contribution shall comprise the valuable material which can be derived from the experience of members of the Society in every field of industrial and commercial activity throughout the country.

To-day I desire to invite your attention to another and more fundamental aspect of the difficulties which arise out of those same factors of a rapidly rising price level and persistently onerous taxation. I am concerned with what I will call "Germination and Growth of Business," that is the founding of an enterprise by an individual who believes that his abilities can be applied more constructively and to better advantage than is possible within the limits of any employment, however congenial. His assets may be mainly the intangibles of skill and a will to work, but it is historically true that from such small beginnings there have developed many undertakings which to-day make important contributions to the total national product. I would urge that renewal by the continuous process of birth and growth is as essential to a healthy and progressive economy as it is to all other forms of productivity dependent on human effort.

I thought that it might be informative to prepare comparative figures designed to show what it was feasible for an enterprising person to achieve in the early years of the century, then the corresponding figures some twenty years later, and, finally, equivalent figures under present-day conditions, taking into account at each stage the difference in price levels and the appropriate taxation. The starting point in each set of calculations is a figure of net savings which would give a constant purchasing power in terms of wholesale prices, so permitting an increment of trading assets in each period of the same real value.

The first period covers the years 1910 to 1913, both inclusive, and the second the years 1930 to 1933. For the third I am taking the position at the present time, embodying the taxation proposals of the 1951 Budget.

To facilitate comparison, an average for one year has been taken of the figures for the four years comprised in the first two periods ; in the third the year 1951 stands by itself.

The following figures have been adopted being fair as indices of the price levels, but it should be borne in mind, however, that for 1951 the indices are those at the beginning of the year, when a sharp upturn in prices had begun to operate and is expected to continue.

	First Period	Second Period	Third Period
Cost-of-living index ... ..	100	150	300
Wholesale prices—all items, including intermediate products and manufactured goods ... ..	100	105	350

The basis of each set of figures is to assume for the first period given amounts for savings and for living expenses and then to calculate the equivalent amounts for the second and third periods. Finally the respective taxation liabilities are calculated so as to arrive at the total earnings. Throughout, these liabilities are those for a married man without family.

Since I am seeking to compare the circumstances of a progressive venture the comparisons are founded on three stages of development, firstly, a small business earning approximately £200 per annum, secondly, a venture already making some progress, and, finally, an undertaking with a modest prosperity to its credit. The results of these calculations appear in the table hereunder.

It will be observed that the figures for the final period in the third comparison have been restated because the burden of sur-tax upon an individual trader exaggerates the comparison unduly, since the incorporation of the undertaking as a private limited company would operate to remove the bulk of sur-tax burden on the premise that the resources were fully engaged in the maintenance and development of the undertaking.

	First Period 1910-13	Second Period 1930-33	Third Period 1951
<i>First Comparison</i>			
Capital accretion ... ..	£100	£105	£350
Living ... ..	100	150	300
	200	255	650
Taxation ... ..	1	5	154
Earnings ... ..	£201	£260	£804
	(100)	(129)	(400)
<i>Second Comparison</i>			
Capital accretion ... ..	£250	£262	£875
Living ... ..	150	225	450
	400	487	1,325
Taxation ... ..	9	41	568
Earnings ... ..	£409	£528	£1,893
	(100)	(129)	(463)



### Third Comparison

Capital accretion	...	...	£480	£504	£1,680
Living	...	...	480	720	1,440
			960	1,224	3,120
Taxation	...	...	37	219	4,946
Earnings	...	...	£997	£1,443	£8,066
			(100)	(145)	(809)

### Revised figures with a Private Limited Company

Capital accretion (company)	...	...	...	£1,680
Company's taxation	...	...	...	1,685
				3,365
Controlling director's remuneration (net £1,440)	...	...	...	2,115
Total earnings	...	...	...	£5,480
				(550)

The figures themselves have been designed to be readily comparable but percentages have been introduced (in italics) and the comparisons are lateral throughout.

I do not propose to embark upon a detailed analysis of the results because the calculations are based on assumptions which, while they are thought to be reasonable, are in no sense factual. They do serve, however, to express concretely the effects which the combination of a marked rise in price levels coupled with a heavy increase in taxation must have in magnifying earnings essential to ensure that a given quantum of trading assets shall be annually added to capital resources. This effect is simply expressed in the following summary from the comparisons set out above :

	Percentage increase between 1910 and 1930	Percentage increase between 1930 and 1951
Small business	29	208
Modest business	29	258
More substantial business	45	280

It may be thought that the problems of an individual striving to found and to develop a small business undertaking are of little general interest, and, in isolation, there may be a measure of truth in this view, but, on referring to the ninety-third report of the Commissioners of Inland Revenue, the sum total of such efforts is seen to be of great import from the national standpoint :

Range of Trading Profits assessed under Schedule "D" for 1948-49	Individual Percentages	Numbers	Amount
£0 to £1,000		91.3	58.1
£1,000 to £2,000		5.7	17.1
£2,000 to £5,000		2.5	15.6

It is probable that the bulk of the one-man businesses comprised in the above statistics operated in the distributive

trades, although no classification is attempted in the report. As the *Economic Survey* for 1951 estimates that the gross national product for 1951 will exceed that for 1948 by approximately 20 per cent., it is reasonable to conclude that the first two examples for the third period are fairly representative of the bulk of productive undertakings in individual ownership. I trust that members of the Society who are intimately concerned with the welfare and progress of industry throughout the country will be able to endorse the figures at which I have arrived, as typical of many cases within their professional experience.

It is necessary to submit to you but little more statistical material before proceeding to consider the conclusions which can be drawn. We have been told repeatedly, and with authority, that the present rise in prices must be expected to continue, which imposes the conclusion that the figures for the third period will shortly prove to be serious underestimates. Without attempting prophecy and

	Present Calculation	Plus 10 per cent.	Plus 20 per cent.
<b>First Comparison</b>			
Capital accretion	£350	£385	£420
Living	300	330	360
	650	715	780
Taxation	154	194	234
Earnings	£804	£909	£1,014
Requisite net increase	£65 (10)	£65 (10)	
Corresponding gross increase	£105 (16)	£105 (16)	

<b>Second Comparison</b>			
Capital accretion	£875	£962	£1,050
Living	450	495	540
	1,325	1,457	1,590
Taxation	568	691	871
Earnings	£1,893	£2,148	£2,461
Requisite net increase	£132 (10)	£133 (10)	
Corresponding gross increase	£255 (19)	£313 (24)	

<b>Third Comparison</b>			
Capital accretion by company	£1,680	£1,848	£2,016
Living	1,440	1,584	1,728
	3,120	3,432	3,744
Combined taxation	2,360	2,750	3,293
Combined earnings	£5,480	£6,182	£7,037
Requisite net increase	£312 (10)	£312 (10)	
Corresponding gross increase	£702 (22)	£855 (27)	

solely to provide figures to cover the admitted probability, my last statement reflects the effects of two successive rises of 10 per cent. each in both indices over those operating at the beginning of the year.

The substance of the material which I have presented is not novel. I reminded you last year that in a progressive economy the long-term trend of price levels must be upwards, and it is to be expected that a growing social consciousness should impose increasingly stringent conditions upon the conduct of business undertakings, particularly in relation to the welfare of employees. Once again it is the pace at which these developments occur and the degree to which their consequences are magnified in combination to which I am directing attention. In the first period of twenty years the approximate range of the imposed annual expansion of earnings was from 1½ to just over 2 per cent. per annum. In the second period the average range is found to be between 9 and 12 per cent. per annum, and for the later years in this period it must have been appreciably higher.

So we see that from the financial standpoint the process of founding and developing a productive business is becoming increasingly arduous—in other words, the opportunities for rejuvenation of the national economy by individual effort are diminishing with frightening rapidity, and this at a time when the need for expansion is greater than ever before.

I cannot attempt to deal to-day with the many other factors which would need to be taken into account by any person contemplating the adventure of setting up in business on his own account, but I suggest that these factors have multiplied of late and that their deterrent effect is increasing.

The comment may be made that the tendency is for productive processes to become more elaborate and specialised, requiring expensive capital equipment, which must tend to limit the opportunities open to the individual. That is true, but there must still remain many fields of activity in which skill, energy and persistence could achieve valuable results, and particularly if it were possible to devote to expansion a substantial portion of those results. I would also urge that both types of development are essential to a well-balanced economy.

It will also be said that organisations exist to provide finance for small or medium-sized businesses, and the Industrial and Commercial Finance Corporation, Ltd., may be cited in this connection. The report of the Corporation for the year to March 31, 1951, is a record of the results achieved to that date, but as, quite understandably, £5,000 has been fixed as the minimum for any undertaking, it will be realised that this central reservoir cannot irrigate all the industrial seedlings in the country. The report already referred to records that in the year to March, 1951, finance in amounts of between £5,000 and £10,000 was provided for eight undertakings. In that year the total number of advances approved was eighty-four and the average amount per undertaking approached £70,000.

I have been concerned to present and to define certain consequences of prevailing conditions in the belief that the extent to which they discourage inception and retard

growth is not generally recognised. I suggest that these effects go to the very roots of our economic well-being, and that if they are allowed to persist they must distort the national economy and lead to an increase in the average age of business entities, similar to, but probably more rapid than, the increase which is known to be occurring in the average age of the population.

#### THE PROFITS TAX AND OVERSEA UNDERTAKINGS

Before I conclude this part of my address there are two other matters to which I wish to refer. I spoke last year of the origin of the Profits Tax, and point has been added to what I then said by the recent increase to 50 per cent. in the rate of tax applicable to distributed profits.

For some years now the high burden of taxation which is involved by control in this country of undertakings operating overseas has led to repeated warnings that concerns so resident here would be impelled to transfer control abroad and also that new enterprises would avoid British registration for this reason. Official acceptance of this view has now been accorded by Clause 32 of the current Finance Bill, which imposes heavy penalties on persons concerned in unauthorised transfers of corporate residence. It is the function of the official to suggest remedies for losses of revenue, but it should be the constructive task of the statesman to create conditions which will foster the expansion of economic activities of all kinds to the advantage of the community and also of the Exchequer.

The combined effect of the increased rates of direct taxes in the Finance Bill is that for each £1 of net dividend £2 19s. 3d. of earnings will be required, and for each £1 placed to reserve £2 2s. 4d. of earnings. If, in the fullness of time, these reserves should become free for distribution in liquidation or otherwise, the Profits Tax relief which has been merely suspended will fall upon the reserves possibly to the full extent of the Profits Tax, since there can be no certainty that at the time of the distribution any corresponding income-tax relief will be available. For this reason the burden of the belated but inevitable liability may be substantially greater than the difference between the two figures of earnings set out above.

#### ESTATE DUTIES

Turning now to Estate Duties, these again, in combination with onerous annual taxation, are operating to deplete national resources. In the past Britain's overseas investments were constantly replenished by the resources of our countrymen who came home to retire, after many years of work abroad. To-day such an individual will soon learn that, in terms of taxation, residing here is exceedingly expensive and dying an extravagance. In many instances these realities cause the idea to be abandoned, and the country is the poorer in consequence.

#### CONCLUSION

As my second year of office draws to its close I am conscious of a sense of obligation to all those who serve the interests of the Society, the members of the Council, the officers and the staff. The main credit for the excellent



spirit which pervades the organisation must go to the senior members of the Council and to Mr. Alexander Garrett, our secretary for so many years and now our only honorary member.

Mr. Craig, Mr. Evan-Jones, and now Mr. Nightingirl, have adopted and fostered that tradition, and our warmest thanks are due to them, to Mrs. Duncalf, and to the staff for working with zest and efficiency under very trying

conditions. I am happy to think that henceforward they will have a measure of comfort more appropriate to the loyalty of their service.

My final tribute is to a most generous collaborator, the Vice-President, Mr. Percy Barrowcliff, and I will now propose and ask him to second that the Report of the Council and the accounts for the year to December 31, 1950, be received and adopted.

## Recent Developments in Town and Country Planning

### THE ACCOUNTING AND FINANCIAL ANGLE

*During the first half of this year, further advances have been made in the law and practice of the Town and Country Planning Act, 1947. An increasing number of cases have come before the Courts, each decision helping to interpret ambiguous sections of the Act. Professional bodies continue to issue pamphlets which not only contain recommendations for amendment, but summarise what now amounts to an extremely complex code of planning. The Government and the Central Land Board have both issued authoritative statements showing what has been done to implement the Act and to simplify its procedure. Some of these developments are of particular importance to accountants, and an indication of them is given in these notes.*

[CONTRIBUTED]

#### ACCOUNTING IMPLICATIONS

WITH A WELTER OF STATUTORY REGULATIONS now controlling the operation of the Town and Country Planning Act, 1947, it is pleasant to read an abbreviated yet authoritative review of planning legislation. A summary of the Act is especially welcome when it is presented in a way that avoids legal technicalities, and emphasises all matters having a direct relevance to accounting. Such simplicity is the chief merit of the recent pamphlet issued by the Institute of Chartered Accountants and entitled *The Town and Country Planning Act, 1947: Notes on the Accounting Implications of the Act*.

The Institute's notes are tentative in character, and the suggestions on the treatment in accounts of the loss of development rights and the payment of development charges serve to stress the uncertainty which still exists over the financial aspects of controlled planning.

Where the value of land held as a fixed asset has been depreciated by the loss of development values, the Institute recommends no immediate accounting entries to adjust the figure of cost

normally appearing in the balance sheet. "Until the amount receivable from the Central Fund is known and any claim for compensation which may lie against the local planning authority has been determined, it is impossible to calculate the amount of the loss." Similar considerations apply where the development of land is likely to attract a development charge. The Institute recommends no immediate alteration to the balance sheet, but prefers to defer any entry in the accounts until the development charge itself can be recorded in the books by a direct charge to the asset account.

Where, however, in any particular case the amounts involved are thought to be material, it is suggested that it may be advisable to make an appropriate note on the balance sheet indicating either that no provision has been made for the diminution in value resulting from the Town and Country Planning Act, or that certain land will be the subject of a development charge which was not envisaged when the land was acquired.

Although the booklet is issued pri-

marily for its members, the Council of the Institute has arranged for the printing of a limited number of additional copies. These may be obtained without charge by students or other persons interested on application to the offices of the Institute of Chartered Accountants, Moorgate Place, London, E.C.2.

#### COMPULSORY PURCHASE AT RESTRICTED VALUES

Can the Central Land Board use their powers of compulsory purchase to enforce a policy of selling land at existing use value only? Or must they show that they will lose a development charge on account of the land remaining undeveloped if the price is too high? These questions have been much debated since Section 43 of the Town and Country Planning Act, 1947, gave the Board power to acquire land compulsorily in cases where an owner is unwilling to dispose of it at its restricted value. It has been argued that there is nothing in the Act enabling the Board to use this Section 43 merely to prevent an owner from holding out for a higher price; the Board must show that unless the land is compulsorily acquired they will be impeded in their task of collecting a development charge.

That any such use of the Board's powers must be related to the question of development charges has now been settled by the case of *Earl FitzWilliam's Wentworth Estates Company, Ltd., v. Minister of Town and Country Planning and Another* (Court of Appeal, April 13, 1951). In that case, the estate company had refused to lease or sell a plot of land to a prospective builder on what the Board regarded as terms commensurate with "existing use" value. The Board, therefore, made a compulsory acquisition order which was confirmed by the Minister of Town and Country Planning. The company thereupon appealed to the Court to have the order

quashed. The High Court dismissed the company's application, and the company appealed. In giving his judgment in the Court of Appeal, Lord Justice Somervell agreed that it was not a function of the Board generally to encourage development or to see that landowners did not impede development by refusing to sell or by asking excessive prices. Where, however, refusal to sell prevented the Board working the development charge scheme they could exercise their power of compulsory purchase. The company's appeal was, therefore, dismissed.

This judgment is of great importance to landowners. It establishes the principle that where the Central Land Board will fail to collect a development charge (because an intending developer is deterred by an excessive price of land) the Board can compulsorily acquire the land for the prospective developer, not because of any altruistic desire to see the development carried out, but from purely financial considerations. It must be remembered that under Section 71 of the Town and Country Planning Act, any sums received by the Central Land Board in respect of the payment of a development charge must be paid into the Exchequer. It is perhaps understandable, therefore, that where it appears that the assessment to a development charge cannot be made because the intended development is abandoned, the Central Land Board can step in and acquire the land in question at its existing use value.

Leave to appeal to the House of Lords has been granted to the appellant company, and the principle may be tested in the Supreme Court. In the meantime, purchasers of land who find the price too high are likely to ask the Central Land Board to intervene.

#### PROGRESS REPORT

The Minister of Local Government and Planning has just issued a Progress Report (Command 8204, His Majesty's Stationery Office, price 5s. net) giving an account of the work of the Ministry of Town and Country Planning during the eight years from February, 1943, when it was established, to January, 1951, when it was merged in the Ministry of Local Government and Planning.

The report goes back to the early days of controlled planning, and re-

minds us that the idea of planning the use of land received statutory authority in 1909. The story that follows emphasises the great difficulty of undoing the "big, drab, urban concentrations" which a hundred years of industrialisation and forty years of agricultural depression had brought. To those who examined the Barlow, Uthwatt and Scott Reports (that remarkable trilogy which preceded and greatly influenced the Town and Country Planning Act, 1947), this account by the Rt. Hon. Hugh Dalton is of considerable interest. Not even the severest critic can fail to admit that a great deal has been done in the sphere of local and regional planning. The use of land for farming has become to be regarded as a priority, and special arrangements exist for the handling of development proposals affecting agricultural land. The needs of housing are now more directly controlled by the county councils. But it is perhaps a matter for conjecture whether all who read this progress report will share the author's apparent satisfaction when he writes: "The total extent of private building since the war has been relatively small, with an average of only one new privately-built house to every four-and-a-half local authority houses."

Chapter IX deals with the twelve new towns in England and Wales designated under the New Towns Act, 1948. Eight of these are within 30 miles of Charing Cross (Stevenage, Crawley, Hemel Hempstead, Harlow, Welwyn Garden City, Hatfield, Basildon, and Bracknell), and four are in the provinces (Aycliffe, Durham; Peterlee, Durham; Cwmbran, Monmouth; Corby, Northants). Notes are given in the report to show the progress that has been made in each of these areas.

The report is mainly concerned with the administration of controlled planning and very little is said about the financial implications of the Act from the point of view of the landowner. No doubt there is a justifiable excuse for omitting references to the Central Fund from the Minister's Progress Report, for it is the responsibility of the Treasury to formulate a scheme to distribute the £300 million in this fund. It is regrettable, nevertheless, that so admirable an account of physical planning could not have said something to encourage those who compulsorily or

otherwise have contributed so much and yet even now know so little about the compensation that has been promised them in the form of Government stock.

#### SIMPLIFIED PROCEDURE

In the last few months the Central Land Board have tried to simplify the administration of the Town and Country Planning Act. For example, recognising that the uncertainty of an assessment to development charge is often a deterrent to planning, the Board have agreed to assess the charge in certain cases even though the development is not likely to take place within twelve months. This is of considerable assistance to developers intending to launch on large schemes of development, the planning and carrying out of which may continue for several years. The Board stipulate that the development must be substantially started within four years, otherwise the assessment to development charge is liable to revision.

In cases where an owner of land is one of that restricted class entitled to a claim in full against the fund of £300 million for loss of development rights—and these priority claimants include owners of "dead ripe" land, single plot owners whose land was bought for house-building, and certain owners of minerals—the liability to development charge can be set-off against their claims on the Central Fund. This set-off removes the anomaly whereby a property owner might have been required to pay a development charge the amount of which would be recoverable in full under the Treasury scheme for compensation.

A great deal has undoubtedly been done to remove many of the administrative difficulties which were hindering the successful operation of the Town and Country Planning Act. There is a rumour that once this year's Finance Act has become law, the Treasury will concentrate on their plans for issuing stock in settlement of the claims against the Central Fund. When the terms of the scheme are known, the work of the Ministry of Local Government and Planning and of the Central Land Board can be viewed in the light of the price that has been paid by those landowners whose right to develop now vests in the State.



# Points in Practice

## LANDLORD'S AND TENANT'S GOODWILL

AS A CONSEQUENCE OF THE LANDLORD and Tenant Act of 1927 the fact was legally recognised that a tenant's trading could increase the rental value of the landlord's property and that in certain conditions payment for the improvement could be claimed by the tenant. These claims are usually made by the tenant when his landlord refuses to renew a lease or when the rental suggested is greater than the tenant considers reasonable. They are made, in other words, when the landlord is endeavouring to benefit from the additional rental value created by the tenant's past activities.

Valuation of the compensation due for the loss of enjoyment of premises is even more complicated than the valuation of goodwill of a business. The additional difficulty is that the goodwill attaching to the premises may be partly the property of the landlord and it is only that portion which represents the increase in value of the premises brought about by the tenant's occupancy that can justify a compensation payment.

The following short summary of "landlord's goodwill and tenant's goodwill" may therefore be of assistance :

### Landlord's Goodwill

Profits derived from the use of premises for the following reasons would not entitle a tenant to claim compensation from his landlord for the loss of user of the premises.

1. *The situation of the premises.*—This is obviously a landlord's "perquisite," for the acquisition of premises in the particular situation (say, a tobacconist's shop adjacent to a railway station) was due to his foresight or good fortune.

2. *Restrictions placed by the landlord on the user of the premises (and possibly also adjoining premises).*—Frequently when he grants a lease for a block of shop property the owner includes in the lease restricting covenants that a similar type

of trade cannot be carried on in any of the adjoining shops. Failure to observe this covenant obviously justifies the tenant claiming damages. On the other hand, the increase in trade resulting from its observance, and the resultant goodwill value, is the property of the landlord.

3. *The suitability of the premises for a particular trade* is also a result of the owner's foresight and the landlord is entitled to the improved rental resulting, for it was he who took the risk that the trade in question would prosper in that building and in that locality (a restaurant or an hotel is often a good example of this consideration).

4. A further landlord's asset generally arising out of (3) results from the *granting of an excise licence for the premises*. Admittedly from time to time the occupier has to obtain a renewal of the licence, but the lease generally provides that it must be passed over to the landlord on the termination of the lease. The transfer of the licence to the landlord or the next tenant is a matter for the Licensing Justices, but the value resulting is the property of the landlord.

5. *An increase in the population of the area as a result of subsequent development.* It will again be apparent that any resultant increase in the rental value justly belongs to the landlord who took the original risk of erecting or acquiring premises in an under-developed area and possibly charged a lower rent for a period, pending this further development.

### Tenant's Goodwill

As previously mentioned, it is only the increase in rental value brought about by the tenant's trading that justifies a claim for compensation under the Act; the onus is on him to satisfy the Tribunal that goodwill attaches to the premises solely as a result of his trading. It can therefore be said that the tenant's goodwill results from such factors as :

1. His reputation of honest trading.
2. His past ability to keep a sufficiently large range of goods to have in stock the article required.
3. His reputation for charging reasonably for his goods.
4. The quality of the goods sold.

In order to establish a claim the tenant and/or his predecessors must have carried on business in the premises for at least five years.

It is then necessary to prove that the goodwill value resulting from these factors attaches to the premises and that a higher rent is obtainable on this account. Such a claim will be simplified if the premises are re-let for the same trade at a higher rental, but for the reasons given above it is still necessary to apportion the increase as between that accruing to the landlord and that to the tenant. This specialised valuation is not a frequent problem, for the complexity of the apportionment encourages both parties to settle without having recourse to proceedings before the Tribunal.

### Time Limits for Claims

It is essential that the claim for compensation be lodged and dealt with in accordance with the conditions laid down in the Act.

The normal procedure is as follows :

1. The tenant requests a new lease. If this is not granted at an acceptable rental he lodges a claim for compensation. The notices must be lodged with the landlord not more than three years and not less than one year before the expiration of the existing lease or tenancy agreement.
2. If the landlord gives notice to terminate, an application for a new lease, or alternatively compensation for loss arising, must be sent in within one month of the service of the notice.
3. The landlord must offer renewal of tenancy within two months of tenant's request. The tenant has one month within which to accept this offer.
4. Application to the Tribunal to settle the claim must be made not less than nine months before the end of the tenancy, or within two months of service of notice to quit.

# Defective Profit and Loss Accounts

*The following article has been written by a London financial journalist whose duty it is to study many public company reports each week, interpret them for shareholders, and then appraise the merits of the companies' shares. He is, he says, "distressed by the attempts to give a misleading presentation of the profits experience and of the true cover for shareholders' dividends, and by the failure to acknowledge the spirit that inspired the Cohen Committee and the Companies Act." While not necessarily agreeing with all he says, we publish his article because it is a constructive, if provocative, statement written from a viewpoint that is rather different from that of most accountants.—Editor,*

ACCOUNTANCY.

ACCOUNTANTS WHO HAVE HAD THE DOUBTFUL PLEASURE OF attending company meetings have perhaps been surprised by the chilliness of the proceedings. Unless there is a breath-taking change for the worse in the company's affairs, or a battle to gain control, the number of shareholders attending can be counted by a child in the kindergarten. And of this paltry number, several will have been invited especially to make sure of a quorum and to act as proposers and seconders of resolutions.

It would not be surprising if attendance at a few of these meetings laid in the accountant the foundations of a deep-seated dislike of shareholders. If so, he would share the feelings of many company directors who regard shareholders as unnecessary evils—though directors, unlike accountants, spread their dislike to include also annual reports, the Companies Act, and auditors! This attitude does not assist the ideal presentation of accounts, and it overlooks the prime consideration that the shareholders are the proprietors of the business. Additionally, it can lead to accounting practice that conforms to the letter of the Companies Act, but fails entirely to conform to the spirit of that profound piece of legislation. There will be no difficulty whatever in proving this.

The blame may be put at many doorsteps. At the shareholders', for their complete disinterest in anything but their dividends; at the directors', for all-too-frequent decisions to construct the accounts so that their true content escapes everyone but the expert; and even at many accountants', for failure to insist that the exemplary presentation of others of their profession is followed.

If the profits showing is bad, then, if they so choose, the directors can confuse the earnings picture for shareholders in several ways, yet the auditors cannot deny that the Companies Act is being complied with. The following examples are by no means exhaustive.

## (I) Initial Allowances Tax Relief

This relief need not be shown at all, though paragraph 14 (3) of the Eighth Schedule of the Act stipulates that it shall be stated by way of note, if not otherwise shown, the basis on which the charge for United Kingdom income tax is computed. In some instances it has been deemed sufficient to state that it is computed on the profits of the year to date, so that the bewildered shareholder may observe that the income tax provision is in something like pre-war relation to net profits, but that the profits tax provision is entirely

out of relation to the income tax provision. The "net profit" is then obviously an illusory figure. The position could obtain that were it not for initial allowances there would be a net loss.

The best practice to-day is to include, with the normal taxation provision, a tax provision to offset initial allowances. This results in the striking of what may be termed a "normal net profit." Another method is to make a "below the line" transfer to taxation equalisation reserve, but this inflates the net profit after tax, and it is preferable by far to adopt the former method.

## (II) Deferred Repairs

It frequently happens that on expending a deferred repairs provision made from taxed profits there is a reduction in the current tax liability, since the expenditure, when incurred, is debited as an expense. The expenditure, and the tax benefit which flows from it, should be excluded from the profit and loss account. But some companies simply reduce the total taxation provision and so inflate net profits. The trading profit can also be inflated by adding the tax "relief" secured by the expenditure on repairs. The net profits picture is still misleading, for if there had been no deferred repairs expenditure the net profits after tax would have been lower.

## (III) Trading Profit

The 1948 Act is sadly lacking in definitions, and we have had the distressing spectacle that even the largest companies have shown a "trading profit" struck after deducting a whole batch of figures that should never have been deducted and adding on items that have not resulted from trading. We have seen, for instance, a trading profit after deducting depreciation, debenture interest, directors' emoluments, even reserve transfers, and after adding back profits on sales of assets, investment revenue, and so on. The reason is, presumably, an ingenuous attempt to mask the trend of profits from employees rather than from shareholders. But it is unlikely that this practice would deter work-people from seeking higher wages. Those adopting the practice are fortunately in a minority. An incidental device is to omit the sub-totals of the additions and deductions of the previous year, so that anyone seeking to find a comparative and true trading profit has some lengthy exercise in simple addition and subtraction.



#### (IV) Balance to Appropriation Account

The description "balance to appropriation account" can mean anything, and can apparently be struck at any juncture to suit the personal whim. The increasing use of this practice would mean that the phrase "net profits after tax" would drop into desuetude. The balance can be struck after reserve transfers and before provisions, or after all provisions except the tax provision, or after all provisions and reserve transfers, before or after including non-recurring credits and debits. In very few cases does the shareholder get a precise picture of the amount of the year's profits that are available for dividends and ploughing back. Again, policy can vary from year to year, reserve transfers being deducted before striking the balance to appropriation account one year, and included in the appropriation account in the succeeding year. We have even seen dividends deducted at their gross amount in one year and at their net amount in the succeeding year, with the effect that the balance to appropriation account is kept on an even keel. Surely accountants and auditors should veto the meaningless description "balance to appropriation account."

#### (V) Tabular Presentation

Presentation in tabular form has advantages for the speciously minded as well as for those who seek a form of

statement that will be simpler and more intelligible than the orthodox one. No order of logic needs to be followed in making the various additions and deductions, and if the sub-totals look like falling into unhappy contrast, the balance brought forward from the previous year can be interpolated at the most suitable juncture. If the company has made a trading loss, the shareholders' picture becomes delightfully complicated, because the debits become credits, and vice versa! There have been many first-rate forms of tabular presentation, but the writer feels that the orthodox framework of a profit and loss account and appropriation account are adequate, and that accountants sometimes tie both themselves and shareholders into knots by misplaced ingenuity.

\* \* \*

The *desiderata* are simple. They are, that there should be shown: (a) a trading profit resulting from *normal* operations, with all windfalls and extraordinary items relegated to the appropriation account; (b) a net profit, after taxation, resulting from *normal* operations, with all windfalls and extraordinary items shown after allowing for the tax element contained in them.

## Letter to the Editor

### Income Tax Appeals in South Africa

SIR,—Having read the paragraph "An American on Accounting in South Africa" (ACCOUNTANCY, January, 1950, page 20), I think it might interest many of your readers to know how income tax appeals and objections are conducted under the Union Income Tax Acts.

- (1) On receipt of an assessment, the taxpayer must lodge any notice of objection within 21 days. Such notice must state in detail the grounds of objection. On the hearing of an appeal the taxpayer is limited to the grounds stated in his notice of objection.
- (2) The Commissioner for Inland Revenue may allow the objection, or disallow it wholly or in part, and notifies the taxpayer accordingly.
- (3) Upon receipt of notice of any disallowance of his objection, the taxpayer may appeal to the Special Court by giving notice to the Commissioner for Inland Revenue within 30 days.

The constitution of our Special Courts differs materially from the method of ap-

pointing Commissioners (General, Special or Appeal) under the United Kingdom Income Tax Acts.

Since the passing of Union Act 40 of 1925, the Special Court, as constituted, consists of three members, namely:

- (1) One advocate of not less than 10 years standing who acts as President.
- (2) One Chartered Accountant of not less than 10 years standing.
- (3) One business man or representative of the commercial community, or in cases relating to mining, a qualified mining engineer if the appellant so desires.

Where any of the sitting members (appointed by notice in the *Government Gazette*) may have a personal or professional interest in the appeal to be heard, substitutes of similar qualifications are appointed.

The taxpayer may, and often does, present his case to the Special Court and the members of the Special Court may ask him questions. It is not necessary for the appellant taxpayer to be represented by an advocate or attorney: often, the taxpayer's auditor assists or represents the taxpayer.

The Commissioner for Inland Revenue is

represented by a member of the Inland Revenue Department who has legal qualifications, and my experience of the proceedings of the Special Court shows that the Inland Revenue representative is always most exact and painstaking in his presentation of the facts with regard to the determination of the taxable amount. I may add that from the strictly legal point of view an assessment does not determine the *amount of tax payable* and therefore the Special Court is only concerned with objections to the taxable amount, that is, the taxable income less any abatements.

The Special Court does not sit in public and it is not a Court of Law. It follows that the Commissioner is not bound by the ruling of the Special Court, neither is the appellant. If either of them is dissatisfied with the decision of the Special Court, the Special Court may be required within 30 days to state a case for determination by the Supreme Court, and from a decision by the Supreme Court a final appeal can be made to the Appellate Division of the Supreme Court, or if the appellant and the Commissioner both agree, the appeal may (Act 39/1945) be made direct to the Appellate Division.

F. W. ANTON EVELEIGH.

Port Elizabeth, C.P., South Africa.  
April 17, 1951.

# Taxation

## THE FINANCE BILL

WHILE THE BILL DOES NOT CONTAIN anything not foreseen from the Chancellor's speech and the Budget resolutions, it is none the less a disagreeable document. It contains more trouble for the taxpayer and his advisers in arguments that must ensue on the "anti-avoidance" provisions.

The changes in the standard rate (to 9s. 6d.) and reduced rates (£50 at 3s. and £200 at 5s. 6d.), and the fixing of sur-tax for 1950-51 at the same rates as for 1949-50, and for 1951-52 at the same rates up to a total income of £15,000, and thereafter at 10s. in the £, call for no comment from us. Similarly, the change in marginal relief for incomes between £135 and £160 to three-tenths of the excess of the income over £135; the increase in the married personal allowance to £190, and in the child allowance to £70 (child's maximum income £70), and the increase in the maximum income of a dependent relative so that the maximum allowance will apply where that income does not exceed £80 (with marginal relief thereafter), require no more than a note of their advent.

### Initial Allowances

It is quite clear that initial allowances are to cease in respect of capital expenditure incurred on or after April 6, 1952, and before a date to be determined by Parliament at some future date, i.e., it is a suspension (in intention at least), not a final cessation. Undoubtedly a rush of capital expenditure will be attempted in the meantime.

The effect will usually be felt first for income tax in 1953-54, and for profits tax, in the years ending in 1953-54 and 1954-55. A peculiar piece of legislation!

### Cases III, IV and V

It is made reasonably clear that new sources of income under these Cases (including additions to an existing source) are to be assessed by reference to when the income first arises from the source or addition, not by reference to

the date of acquisition. It is not retrospective, and is to apply to new sources or additions acquired on or after April 6, 1951, and to sources or additions prior thereto where the income first arose on or after that date. This will reinstate the practice which obtained before the decision in *Atkinson v. Goodless Wall and Lead Industries* ([1950], T.R. 205).

### Foreign Dividends, etc.

Miscellaneous Rule 7 is modified so that a paying agent will have to deduct income tax from dividends, interest, etc., which he collects out of or in respect of the stocks, funds, shares or securities of any body of persons not resident in the United Kingdom.

### Building Societies

In giving statutory recognition to the arrangements with the building societies the only departures from existing practice appear to be:

- (1) In no case can a receipt from a building society be grossed for the purposes of comparison with interest, etc., paid away, in deciding whether General Rule 21 has to be applied.
- (2) Any such receipt must be grossed for sur-tax purposes as if it was a "free of tax" dividend. As stated in ACCOUNTANCY last month, this was not apparent from the Budget Resolution.

### Exemptions

Exemption from income tax is to apply to service bounties on re-enlistment or on temporary service as a result of the call up for 15 days or less under the Z reserve schemes, etc.; to income of the Colonial Superannuation Scheme Fund and of the Issue Department of the State Bank of Pakistan.

Exemption for the staffs of High Commissioners, etc., is not to extend to persons employed for trading purposes.

### Power to Obtain Information

Power is to be taken whereby an Inspector of Taxes can require a banker

or other person who receives or retains money in the course of his business so that interest becomes payable thereon and is paid or credited without deduction of income tax, to make a return of all such interest, with the names and addresses of the recipients of interest exceeding £15 per annum. The Post Office Savings Bank is specifically included. While we dislike interference with the private affairs of citizens, we regard this development as one that was bound to come. There has undoubtedly been avoidance of tax on interest paid gross.

The clause is retrospective and applies to interest arising after April 5, 1950. It only applies to money received or retained in the United Kingdom.

### Profits Tax

The increase to 50 per cent., with non-distribution relief at 40 per cent. (and distribution charge of 40 per cent.) applies from January 1, 1951.

Transitional provisions ensure that:

- (a) A distribution charge shall not be made at 40 per cent. in respect of profits which have attracted non-distribution relief at 20 per cent., nor at either 40 per cent. or 20 per cent. in respect of profits which attracted non-distribution relief at 15 per cent.
- (b) Relief for a loan repaid to a director-controlled company shall be at the same rate of tax as was charged when the loan was made.
- (c) Any increase in dividend declared after April 9, 1951, in respect of an accounting period beginning before the end of the year 1950, so far as it is not entirely referable to an increase of capital (other than bonus shares), shall be regarded as a distribution after the end of 1950.

These are similar to the transitional provisions at October 1, 1949, when the rate was last increased.

Where an accounting period "bridges" January 1, 1951, it is to be divided into two chargeable accounting periods, to and from that date respectively.

### Public Utility Undertakers

Statutory undertakers carrying on certain public utility concerns have hitherto been generally exempt from profits tax. As from January 1, 1951, they will become liable, but at only 10 per cent.

Dividends, etc., received from such



undertakings will not be franked investment income, but the recipients will be allowed to reduce the profits tax payable for the chargeable accounting period in which the income is received by 10 per cent. of the amount of that income or of the amount of the profits of the recipient chargeable to profits tax, whichever is the less. (Income received by a body corporate with a controlling interest in a statutory undertaker is still to be exempted.)

### Directors' Remuneration

A complicated clause seems to mean this:

The maximum deduction for directors' remuneration in the case of a director-controlled company (excluding whole-time service directors) as from January 1, 1951, is to be the greatest of these amounts (but in no case exceeding £15,000):

- (a) 15 per cent. of the profits (before deducting any remuneration other than that of whole-time service directors), or
- (b) £2,500; or
- (c) Where for more than half the chargeable accounting period there are two or more directors who are required to devote substantially the whole of their time to the service of the company in a managerial or technical capacity and are not whole-time service directors, £3,500 increased where there are more than two by the smaller of:
  - (i) £1,000, or
  - (ii) the aggregate remuneration of all but two of the said directors, the two omitted being those highest paid.

In no case can the amount deductible under (c) exceed the aggregate remuneration of all the said directors, but for all purposes of (c) the amount by which the remuneration of any director exceeds £2,500 is to be left out of account.

#### Illustration

The directors of a director-controlled company (excluding whole-time service directors) are:

	Remuneration
	£
A—part-time .. ..	500
B—whole-time .. ..	3,200
C " " .. ..	1,500
D " " .. ..	600
	<hr/>
	£5,800

For the purposes of (c) the remuneration is:

B £2,500      C £1,500      D £600

But B and C must be ignored, so that the addition to £3,500 is £600.

The disallowance is therefore £5,800 — £4,100 = £1,700.

Where the chargeable accounting period is less than a year, the proportionate figures apply.

Summarising the provision, we can say that the remuneration actually voted cannot be exceeded, but it may have to be restricted to the greater of:

- (a) 15 per cent. of the profits before charging remuneration; or
- (b) £2,500 for one director (whole-time); or
- (c) £3,500 for two directors (whole-time); or
- (d) £4,500 for more than two whole-time directors, provided that the additional £1,000 has to be limited to the aggregate remuneration excluding
  - (i) all remuneration of any director in excess of £2,500, and
  - (ii) the remuneration of the two highest paid directors.

### Bonus Shares

Where profits have been capitalised and used to pay up bonus shares or calls on shares after April 10, 1951, and then the company applies any sum in reducing its capital, the sum so applied, not exceeding the profits capitalised, is to be a gross relevant distribution. Similar results are to ensue when after April 10, 1951, a company reduces its capital, then capitalises profits.

### Transactions to Avoid Liability

The anti-avoidance provisions are similar to those which were in force for Excess Profits Tax. Where the Commissioners are of the opinion that the main purpose or one of the main purposes of any transaction(s) was the avoidance or reduction of liability to profits tax, they may direct adjustments to be made to counteract the avoidance or reduction in liability.

The above is not to apply to transactions completed before April 10, 1951. (Argument may lie as to when a transaction has been completed!)

The powers extend to charging profits tax on persons who, but for the adjustments, would not be chargeable, and to charging more tax than would be chargeable but for the adjustments.

If transactions involve:

- (a) the transfer or acquisition of shares in or debentures of a company, or

(b) a change in the persons carrying on the business or part of it, or

(c) a change in the directors of a director-controlled company

and it appears that the main benefit which might have been expected to accrue in the three years (for E.P.T. the period was the currency of E.P.T.) following the completion of the transaction was avoidance or reduction of liability to the tax, that will be deemed a main purpose of the transactions. (Note that (c) did not appear in the E.P.T. legislation.)

Appeal lies to the Special Commissioners, whether on the ground that the avoidance was not a main purpose or that no direction ought to have been given or that the adjustments are inappropriate.

### Avoidance of Income Tax or Profits Tax

Restrictions are placed on the transfer of residence of bodies corporate from the United Kingdom, and the transfer of businesses to non-residents; on a holding company here permitting a non-resident subsidiary to create or issue shares or debentures; and on a resident holding company transferring to any person (other than for the purpose of enabling a person to qualify as a director), or causing or permitting to be transferred to any person, any shares or debentures of a non-resident body corporate, being shares or debentures which it owns or in which it has an interest. There is a saving for security given to bankers of a company not resident in the United Kingdom. Further, the Treasury may consent to any of the prohibited transactions, and if it does consent, the provisions do not apply. Heavy penalties are imposed on persons who are parties to offences—up to two years' imprisonment and/or a fine not exceeding £10,000.

### Sales between Associated Persons

Where on or after April 10, 1951, any property is sold and buyer and seller are under mutual control, and the price is less than the open market value, the profits of the seller must be computed as if the market value had been realised, unless the buyer is resident in the United Kingdom and carrying on a trade so that the price is a deduction in computing his profits.

If the price is more than market value the profits of the buyer are to be computed as if market value had been the price, unless the seller is resident and the price comes into his profits.

The Section is not to affect the computation of capital allowances, for which anti-avoidance provisions already exist in the Income Tax Act, 1945.

The Section is to extend to lettings and hirings of property, grants and transfers of rights, interests or licences, and the giving of business facilities of whatever kind as they have effect in relation to sales, but do not extend to lands, etc., charged under Schedule A, No. I. General Rule 7 becomes redundant except as respects transactions taking place before April 10, 1951.

#### Proceedings for Penalties

The time within which proceedings

can be brought for penalties in case of fraud or wilful default in connection with E.P.T. or profits tax is to be extended to three years from the final determination of the tax chargeable for the chargeable accounting period. This is not retrospective and will not extend the time for bringing proceedings to recover any penalty incurred more than six years before the passing of the Act. Nor will it extend the time for bringing proceedings against personal representatives of a defaulter.

#### Estate Duty

Landed property (and certain other property connected with it) given to public bodies (that is, a Government Department, local authority or university) is, where the Treasury so direct, to be exempted from estate duty. Certain conditions are laid down.

On December 13, 1950, the case of *In re Smith's Settlement Trusts* ([1950] T.R. 355) decided that the exemption from estate duty of certain securities (e.g., 3½ per cent. War Loan) in the beneficial ownership of persons neither domiciled nor ordinarily resident in the United Kingdom applied where the person to whom the securities passed on the death satisfied the condition. The Bill provides that the condition must operate by reference to the persons in whose beneficial ownership the securities are immediately before, not after, the death. The clause is retrospective with a saving for duty payable on a death before December 14, 1950, unless part of the duty was paid before that date.

A restriction is to be imposed on reopening cases on the ground of legal mistake.

## The Taxation of Trading Profits

### NOTES ON THE REPORT OF THE MILLARD TUCKER COMMITTEE

*We published in our last issue (pages 184-5) some comments on the Report of the Committee on the Taxation of Trading Profits, which sat under the chairmanship of Mr. J. Millard Tucker, K.C. The further notes which we now have pleasure in publishing were written for the Incorporated Accountants' Research Taxation Committee by its Chairman, Mr. James S. Heaton, F.S.A.A.*

IT IS PERHAPS UNDERSTANDABLE THAT comment in the financial Press on the report of the Millard Tucker Committee should have been focused on the two matters on which the recommendations are largely negative—the treatment of depreciation in inflationary conditions and the basis year of assessment.

If the Inland Revenue Department is a partner in industry, it is a partner whose share of profits must be withdrawn in cash, irrespective of the needs of industry in replacing fixed assets and stocks in a period of inflation. The combination of these stresses has induced earnest re-examination of the principles of profit measurement, and many (but certainly not all) accountants have allied themselves with the economist in the view that profit cannot arise until

provision has been made for replacement in real terms of capital employed.

On the second matter, disappointment is shared by the Committee, which approached the question of basis of assessment with a strong predilection for a change to some form of current-year basis. (para. 66.)

Before adding further comment, two points should be considered. Firstly, there is much to be said for the view expressed by Mr. S. P. Chambers in the *Financial Times* of April 28, that the Royal Commission might well have dealt at the outset with all general matters of economic and taxation principles, leaving a committee—such as the Millard Tucker Committee—to apply its findings to trading profits. The Millard Tucker Committee has at once been required to deal with the subject in isolation

and against the inflexible background of the existing income tax system. Few of us may claim to have had prevision on this point. Secondly, there may be a tendency to overlook the constructive suggestions made by the Committee, enactment of which would provide notable advances in taxing business profits. The chairman and his Committee were clearly receptive to representations which were made, and witnesses must acknowledge the courtesy and patience which were shown to them. It is unfortunate that the first real acceptance of accounting principles as a measure of profits for tax purposes has come at a time when those principles are being so generally assailed.

#### Basis Period

The difficulties regarded as insuperable by the Committee clearly arise in relating the taxation of business profits to the system as a whole. In the metaphor used in the previous issue of *ACCOUNTANCY*, the grafting of new branches seems impossible—new trees are indicated. Accepting present limitations, the profits of an accounting period could not be taken as equivalent to those of the year of assessment containing the terminal date. A sole trader may pass from liability under Schedule D to Schedule E. If this took place on October 5, 1951, he could not be charged for 1951-52 on the profits of a full year ending on that date and, in addition, on his earnings for the half-year ending April 5, 1952. On the other hand, serious practical difficulties would follow a charge on profits for the current year of



assessment, calculated by apportionment and aggregation of the profits of underlying accounting periods. For example, liability for 1951-52 might comprise three-twelfths of profits of the year ended June 30, 1951, and nine-twelfths of those for the following year. In order to ensure continuity of Exchequer receipts, an assessment would be made in the autumn of 1951 in the light of available information. This would probably mean the accounts to June 30, 1950. When computations on the following accounts are agreed, a revision would be required, but it would not be until the 1952 accounts were available that finality could be reached. The time lag would be increased for accounting periods ending later in the tax year. Personal reliefs and sur-tax computations may be involved at one or more of these stages. This well illustrates the dependence of the whole system on the position of sole traders and partnerships, which make up nine-tenths in number of the cases reviewed for Cases I and II, even though their revenue contributions may be highly disproportionate. There are other difficulties—less flexibility of yield to budgetary policy, and the inevitable transitional problems. The profits of some period would never fall into an assessment and that period would also be a hiatus for capital allowances. The latter point is already covered by Section 57 of the Income Tax Act, 1945, but the cost of relating initial allowances for two periods to one year of assessment would be prohibitive. The Chancellor has, however, taken one step towards simplicity in withdrawing the whole scheme! One comment on the difficulty of assessment on profits tax lines may be significant—"whether or not a scheme of this kind could be worked out for companies, the idea is, we think incapable of being applied to the assessment of individuals and partnerships" (para. 41).

### Partnerships

The proposal to reverse the present relationship of Rule 9 and the proviso to Rule 11 (1), as amended, is illustrated as follows:

A retires from the firm of A, B and C on July 1, 1951. Profits are shared equally until April 1, 1952, when they are shared 1:3. Assessments on the normal basis and their apportionment under Rule 9 would be as follows:

	Total £	A £	B £	C £
1950-51	6,000	2,000	2,000	2,000
1951-52	12,000	1,000	5,500	5,500
1952-53	9,000	—	2,250	6,750
1953-54	4,000	—	1,000	3,000
	<u>£31,000</u>	<u>£3,000</u>	<u>£10,750</u>	<u>£17,250</u>

If notice were given under Rule 11 (1), proviso, the figures would be:

	Total £	A £	B £	C £
1950-51	12,000	4,000	4,000	4,000
1951-52	9,000	750	4,125	4,125
1952-53	4,000	—	1,000	3,000
1953-54	6,000	—	1,500	4,500
	<u>£31,000</u>	<u>£4,750</u>	<u>£10,625</u>	<u>£15,625</u>

#### Notes:

(1) The revised assessments for 1952-53 and 1953-54 are assumed to follow claims under Section 15, Finance Act, 1930.

(2) The revised assessments are, therefore, on actual profits throughout, so that, subject to rules of computation, the profits actually shared would agree with the partners' apportionments of the assessments.

(3) Under Rule 9, three-fourths of the 1952-53 assessment is apportioned to C (£6,750). His share of the basis profits was in fact £4,500, and his share of the actual profits of 1952-53 is £3,000.

(4) Application under Rule 11 (1), proviso, requires the co-operation of A, B and C, their personal interests being divergent. A is unlikely to sign without a personal indemnity from B and C against his additional liability.

The effect of the Committee's recommendations on this example would be as follows:

(a) Discontinuance treatment would be applied in the absence of any notice by the parties. B and C would not require the co-operation of A.

(b) If the continuing basis were desired, A, B and C would have to join in an application. A is now in the position in which, under present law, B and C find themselves. The question is not, however, one of eliminating additional liability on the discontinuance basis—it is to be judged as a comparison between the apportioned part of the assessment and the actual share of profits for that period. A, above, has additional liability for 1950-51 and 1951-52, but his share of total assessments for those years (£4,750) agrees with his actual share of profits. The real hardship, without discontinuance treatment, would have been on C, as noted in (3) above, in receiving a smaller share than the part of the assessment allocated to him for 1952-53.

(c) The change in profit-sharing ratio could, on application, be treated as a cessation, with automatic discontinuance treatment, if the firm as at April 1, 1952, is declared dissolved and a new firm commenced.

### Successive Partnership Changes

The law has been surprisingly tender towards successive partnership changes, following the High Court decision on May 30, 1932, in *Osler v. Hall & Co.* (17 T.C. 68). In the words of the ninety-third Report of the Commissioners of

Inland Revenue (Cmd. 8103, at page 95):

Where there are two successive changes of partnership in respect of only the second of which the discontinuance option is exercised, an additional assessment for the penultimate year of assessment can only be made on the partnership as constituted at the time of the second change and in respect of the period during which the partnership, as so constituted, carried on the business.

A concession goes even farther. Again quoting the same source:

In such cases, the additional liability of a partner who was carrying on the trade for an earlier part of the year than that to which the additional assessment extends, is restricted so that his total liability for the year does not exceed his share of the actual profits of the year, or his share for the whole year of the original assessment, whichever is the greater.

Following the Committee's illustration (para. 75), C retires from the firm of A, B and C on October 5, 1952. D joins the firm on May 5, 1953. Notice under Rule 11 (1), proviso, is given only on the second change. Profits of years ending on March 31, 1952, and March 31, 1953, are, respectively, £6,000 and £10,000. The penultimate year is 1952-53 and the additional assessment is competent only against the firm as constituted at the date of cessation, i.e., A and B, and in respect of their period of association in 1952-53, viz., from October 5, 1952, to April 5, 1953. The actual profits of that period are six-twelfths of £10,000 and the part of the first assessment for that year which was apportioned under Rule 9 to that period was six-twelfths of £6,000. The additional assessment becomes £2,000, relative to A and B, subject to any further individual concession arising from the practice quoted above. The apportionment of final liability is as follows:

	Total £	A £	B £	C £
<i>First Assessment</i>				
6 mths. to:				
5.10.52	3,000	1,000	1,000	1,000
5.4.53	3,000	1,500	1,500	—
	<u>6,000</u>	<u>2,500</u>	<u>2,500</u>	<u>1,000</u>
<i>Additional Assessment</i>				
	2,000	1,000	1,000	—
	<u>£8,000</u>	<u>£3,500</u>	<u>£3,500</u>	<u>£1,000</u>

The actual shares of profit for the year ended March 31, 1953, would be:

	Total £	A £	B £	C £
To 5.10.52	5,000	1,667	1,666	1,667
To 31.3.53	5,000	2,500	2,500	—
	<u>£10,000</u>	<u>£4,167</u>	<u>£4,166</u>	<u>£1,667</u>

(Apportionments in months)

The recommendations of the Committee

would result in unrestricted liability on the additional profits in 1952-53, i.e., a further £2,000 on A, B and C, resulting in the apportionment shown below. This is seen to agree with the actual shares of profit (subject, in practice, to rules of computation).

	Total £	A £	B £	C £
Assessments under present law (as above)	8,000	3,500	3,500	1,000
Increased additional assessment	2,000	667	666	667
	<u>£10,000</u>	<u>£4,167</u>	<u>£4,166</u>	<u>£1,667</u>

C has additional liability on £667 because of an event which happens after he has severed his connection with the firm. The Committee's answer is that the continuation treatment on C's retirement (without which the question would not have arisen) would be possible, if its recommendations were accepted, only on his own acquiescence. An outgoing partner would, no doubt, call for an indemnity in return for his joining an election for continuance treatment.

These changes would be welcomed, if their inhibiting background is accepted as

a permanent feature. Automatic cessation treatment might well, however, call for consideration of the effect of the following matters:

(a) *Book Debts*

Following the Court of Appeal decision on July 14, 1950, in *Reynolds & Gibson v. Crompton*, book debts taken over on the occasion of a partnership change, on which discontinuance treatment applies, acquire the quality of capital, unless dealing in debts is an integral part of the business.

(b) *Initial Expenditure*

The effect of the *Law Shipping* case (12 T.C. 621), not considered by the Committee in need of treatment, may be especially hard upon a firm which, in substance continuing, is regarded as newly commenced.

(c) *Capital Allowances*

Section 60 (1), Income Tax Act, 1945, would apply on automatic discontinuance treatment. Unless the same interests are in control throughout, so that a notice under Section 59 (4) could be given, balancing charges should, in strictness, be made on the old firm by reference to open market prices, annual allowances commencing on those figures to the new firm. The obscurity of Section 60 (2) might well also repay further study in this context.

## Initial Allowances and Inflation

The Committee's recommendation of selective increases in initial allowances to 60 per cent. may be academic in view of the contents of the 1951 Finance Bill. It does, however, invite comment on their place generally as an aid to industry in times of inflation. Initial allowances are frankly expedient—few serious claims have been made for them in principle. There seems no doubt, also, that they have aggravated the ill which they were intended to alleviate, in encouraging unnecessary capital expenditure. They have, however, reduced the drain of taxation on cash resources within a comparatively short time after the expenditure has been incurred, although the time lag for profits tax might be material. The Committee's illustrations of resources represented by depreciation charges, on historical cost, as augmented by initial allowances on replacement expenditure (para. 121) follow Exchequer explanations on the 1949 Finance Bill. The initial allowance is an advance of allowances to which industry would in any case become entitled. Their withdrawal leaves industry without its temporary relief and with its claims for recognition of the inflationary element in principle still unsuccessful. It is not appropriate here to add to the controversy, but its earnest consideration must clearly continue.

## Taxation Notes

### P.A.Y.E.

THE LATEST ISSUE OF THE *Employer's Guide* contains a statement that crediting pay to an employee's or director's bank account constitutes "payment" in the same way as payment in cash, and tax should be deducted accordingly. This also applies to remuneration voted to a director and credited to an account with the company on which he is free to draw, or applied in reduction of a debt due from him to the company (unless the debt arose from a payment in advance or on account of remuneration from which tax was deducted.)

### British Subjects Resident Abroad

Section 24, Finance Act, 1920, gives the right to British subjects and certain others to claim a proportion of personal and similar allowances, in the ratio that the income liable in the United Kingdom bears to total income from all

sources, including income not subject to income tax charged in the United Kingdom. Total income as so defined is commonly referred to as "world income." Reference to *Mackellop v. C.I.R.* (25 T.C. at page 280) will show that there must be included all income of the taxpayer, including income on which he is not taxable even if it is only because of non-remittance to the United Kingdom. The rateable value of a house owned and occupied has therefore to be brought into the world income.

### Superannuation Funds

Now that the standard rate is increased to 6s. 6d. in the £, trustees of approved funds will have to account for income tax at 2s. 4½d. in the £ (one-fourth of the standard rate) on such sums as they refund (with interest, if any) to employees, and upon commutations, during 1951-52 (Section 32, Finance Act, 1921, Regulation No. 8, and Amending Regulation No. 1 of July 29, 1931).

Where funds deduct from refunds and commutations a sum equal to the income tax liability, the Inland Revenue require this to be calculated on the actual amounts paid to contributors. The figures for 1951-52 are:

Standard rate 6s. 6d.

2s. 4½d. in £ on net =

$\frac{57}{480}$ ths of net or  $\frac{57}{537}$ ths of gross

	£	s.	d.
If refund is ...	100	0	0
Income tax at 2s. 4½d. on net is ...	10	12	3

Amount of refund on which tax is payable £89 7 9

### Age Allowance

As usual, we remind readers of the maximum income at which marginal relief ceases to be advantageous. For 1951-52, for a single person, it is £816, for a married man £763, provided all income is unearned.



Proof :

					Single				Married			
					No relief		Relief		No relief		Relief	
					£	£ s. d.	£	£ s. d.	£	£ s. d.	£	£ s. d.
Income	...	...	...	...	816		816		763		763	
Margin	...	...	...	...			316				263	
							500				500	
Age allowance	...	...	...	...			100				100	
Personal	...	...	...	...	110		110		190		190	
					706		290		573		210	
At 3s.	...	...	...	...	50	7 10 0	50	7 10 0	50	7 10 0	50	7 10 0
5s. 6d.	...	...	...	...	200	55 0 0	200	55 0 0	200	55 0 0	160	44 0 0
gs. 6d.	...	...	...	...	456	216 12 0	40	19 0 0	323	153 8 6		
					279	2 0	81 10 0		215 18 6		51 10 0	
5/8ths Margin	...	...	...	...			197 10 0				164 7 6	
					£279	2 0	£279	0 0	£215 18 6		£215 17 6	

Where there is earned income, of course, the result must be computed.

#### P.A.Y.E.—Class Z and Class G Reservists

The Inland Revenue announce that employers need not send to the Tax Office a P.A.Y.E. leaving certificate on form P.45 when an employee leaves for 15 days' or three months' training as a Class Z or Class G reservist.

#### Shares in Controlled Companies—Valuation as Gifts *inter vivos*

At a recent lecture the question was raised whether shares which were the subject of a gift *inter vivos* made by the deceased within five years of his death, where he had control of the company at some time within those five years, have to be valued on an asset basis under the Finance Act, 1940, Section 55 (1).

It was suggested that the Section, saying: "Where for the purposes of estate duty *there pass . . . shares . . .*", refers only to property *actually* passing and excludes property deemed to pass on the death.

The lecturer did not agree with that suggestion; it seemed to him to be straining the meaning of words beyond reason.

Consultation of the recognised legal reference books, *Dymond, Green and Hanson*, shows that there is general agreement with the lecturer's view. Indeed, were it not so, there would be such an obvious loophole that it cannot be regarded as reasonable to expect it to have been overlooked.

#### Double Taxation—Norway & Burma

A Double Taxation Convention between the United Kingdom and Norway was signed during May. The Convention, which is subject to ratification, provides for avoidance of double taxation on income and profits and is expressed to take effect in the United Kingdom from April 6, 1950. Its provisions are in general similar to those of agreements already made with the United States of America, certain Commonwealth countries, France, the Netherlands, Sweden and Denmark. The full texts are to be published shortly by H.M. Stationery Office.

A supplementary protocol to the double taxation agreement between the United Kingdom and Burma (Command 793) has been signed. The protocol, which is subject to ratification, extends the main agreement to cover the Burma business profits tax. The text will be published shortly.

#### Profits Tax Legislation

H.M. Stationery Office has issued a publication in loose-leaf form *Profits Tax*, the provisions of the Finance Acts, with Statutory Regulations and Orders and Index. (Price 8s. 6d. complete with binder; gs. postage included.) This is a welcome addition to professional libraries, as a companion volume to that on the Income Tax Acts.

The volume sets out the law applicable to chargeable accounting periods from January 1, 1947, omitting matter inapplicable after that date. Matter repealed since is shown in italics. The

volume includes the relevant matter from the Finance Act, 1950. It is intended that from time to time supplements will be issued for insertion in the volume to bring its contents and index up-to-date.

#### The Herd Basis

It may be useful to review experience of the herd basis in tax computations. The Tenth Schedule of the Finance Act, 1947, gave statutory authority to certain concessional arrangements previously in force. Briefly, there is an option to treat any herds of productive animals as a capital asset, instead of bringing them into account as trading stock. The election to adopt the herd basis had to be made within one year of April 6, 1947, or on subsequently commencing business. Once made an election is irrevocable, save where the keeping of any herds has been discontinued altogether for at least five years.

The principal difficulties of computation relate to replacement of individual animals, and to subtractions from or additions to the herd. Casualties are treated on the same basis as sales. Immature animals are omitted wholly from the herd, that is, treated as trading stock. (Maturity in the case of female animals or birds is defined as the date of production of their first young.) An exception is made where the production of young by the herd is essential to its upkeep, and is limited to that purpose, or where young cannot be reared except in the same locality, for example, where a flock of hill sheep is

kept for the wool clip and there are no sales of lamb.

Basically, any sales from the herd coupled with purchases by way of replacement are both brought into the trading account. Where the replacement represents an improvement in quality, the cost of the purchase is disallowed to the extent of the improvement value. In the contrary circumstances, however, of an inferior replacement, no allowance is made for the reduction in quality, save in the event of compulsory slaughter or where the whole herd is down-graded by gradual (or immediate) exchange of breeds, made otherwise than at the option of the owner.

It should be made clear that it is the original cost or valuation of the animal which is to be the subject of the comparison with replacement cost, since the proceeds of sale of worn-out beasts would normally fall short of the cost price of renewals. It will be seen that the effect of the foregoing provisions is to penalise unwarranted deterioration in the quality of the herd.

A difficulty arises in fixing the cost price of animals bred on the farm, where these are to be treated as additions and not replacements. The method of valuation currently approved by the Inland Revenue is as follows. The number of months from date of birth to maturity is ascertained, and the cumulative value reckoned at the rate of thirty shillings for each of the first six months, twenty shillings for the next eighteen months and fifteen shillings per month thereafter. The valuation requires modification where an immature animal is purchased and reared to maturity; here only the appropriate proportion of the increment will enter the calculation.

Where a herd is sold or substantially reduced and subsequently is built up within a period of five years, the earlier sales are related to the later acquisitions, as if there had been no time interval.

If there is a sale, or small sales, without replacement, there should, strictly speaking, be brought into account the actual profit or loss on the animal by reference to the difference between sale price and its original cost or valuation. In practice, the Inland Revenue do not require every addition or subtraction in the numbers of the

herd to be treated as a variation. A tolerance of the order of 20 per cent. is permitted. Thus where there were 100 animals in the herd at the date of election, the numbers will be permitted to vary between 80 and 120, taking one year with another, unless such variation were declared as permanent. (If 20 animals were subtracted the new range would lie between 64 and 96, and if the herd numbers were raised to 120, the range would become 96 to 144.) The effect of these provisions is that any proceeds of sale are brought into account, unless the whole or a substantial proportion of the herd is permanently disposed of.

It should be explained that all herds in a trade must be included in any election, save where the species or the end-products differ: thus cattle kept for milk may be the subject of an election while those destined for veal production are excluded. Moreover, it is possible for a single animal to form a herd.

The following example may serve to illustrate the foregoing principles:

F. Giles has a herd of 30 cows kept for milk production. During his accounting year ended March 31, 1951, the history of his sales and purchases was:

Shorty: sold for £60, originally reared on the farm, calving at 3 years 1 month.

Haughty: sold for £60; cost £45 on October 1, 1944.

Naughty: compulsorily slaughtered; cost £85 on October 1, 1945.

Crocus: purchased as a nine-month calf for £4 10s. and calved at 3 years 3 months.

Hocus: cost £50.

Pocus: cost £75.

These were dealt with in the computations as follows:

1. Crocus replaced Shorty, and as the valuation at maturity was in each case £30 15s., no adjustment is required.

2. The enhanced value of Hocus over Haughty is disallowable to the extent of £5, unless the variation is treated as a market fluctuation.

3. The £10 decline in value on substituting Pocus for the compulsorily destroyed Naughty is not taxable.

### Income Tax Fraud Sentences

At Leeds Assizes last month David Radley, of Skelmanthorpe, was sentenced to one year's imprisonment for conspiracy to evade £7,216 income tax on eight years'

profits of his firm, Outram and Peel, and 24 other charges, and was ordered to pay a sum not exceeding £500 towards the cost of the prosecution. His son and partner, Ronald Radley, was found "Not Guilty" of similar offences.

An unqualified accountant, Granville Senior Mosley, of Lower Cumberworth, a former clerk of Skelmanthorpe and Lower Cumberworth Urban Council, admitted 25 charges of perjury, making false income tax returns and conspiracy to evade £7,216 income tax on the profits of Outram and Peel. Mr. Justice Ormerod told him that he had deliberately and persistently used his skill to enable other people to defraud the Inland Revenue. He sentenced Mosley to three years' imprisonment for assisting in frauds on income tax returns of shopkeepers, farmers and newsagents, involving a loss of £18,716 to Inland Revenue. It was stated that the money had since been repaid.

Mr. E. Ould, who defended Mosley, said this 46-year-old accountant had started the frauds after developing a grievance on account of his own low income tax allowances. He subsequently became the tool of small traders and farmers who grumbled about their taxation, and yet he received no fee as a bribe. Mosley had confessed all the tax frauds to the minister of his church, and they had gone together to an Inspector of Taxes, to whom the defendant had "made a clean breast of it." Investigations into the affairs of 90 of Mosley's clients in the Skelmanthorpe area revealed that 47 returns were false.

### Conference on Taxation

A Conference on Taxation open to all practitioners is to be held at Eastbourne on October 26-28 by *Taxation*, the well-known weekly journal. Talks will be given by eminent speakers and discussions will take place on a number of aspects of the law and practice.

A civic reception and dance at the Devonshire Park Winter Garden and drives to Beachy Head and the surrounding countryside will be among the social attractions. A golf match for a silver bowl will create an added interest for golfing practitioners.

No charge is to be made to practitioners and their ladies except for hotel accommodation, which can be booked by arrangement.

As the number attending the conference must be limited this early announcement is made and *Taxation* will be glad to hear from readers who desire to attend. Notification should be addressed to The Editor, *Taxation*, 98, Park Street, London, W.1.



# Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT., Barrister-at-Law

*Income tax—Divorce—Maintenance of children—Order for payment to wife in trust for children—Whether a settlement—Right to children allowances—Income Tax Act, 1918, Section 27—Finance Act, 1920, Section 21—Supreme Court of Judicature (Consolidation) Act, 1925, Sections 190, 191, 192, 193—Finance Act, 1936, Section 21—Matrimonial Causes Act, 1937, Section 10 (4)—Finance Act, 1940, Section 24.*

**Yates v. Starkey** (C.A., March 5, 1951, T.R. 39) was noted in our issue of January last (page 22). It was there pointed out that a Section intended solely for the purpose of checking tax avoidance by means of settlements on infant children by their parents was being used for an entirely different purpose. The respondent, the respondent in a divorce suit, had been ordered to pay to his former wife an annual sum in trust for each of his three children and, apart from a contention that the Court had no power to make such an order as that which had been made, it was argued that it constituted a "settlement" within Section 21 of Finance Act, 1936, with the result that the amounts payable were under the Section to be deemed his income, with the further result that he was entitled to the statutory allowance in respect of each child. The General Commissioners had found in his favour; Vaisey, J., had upheld their decision; and a unanimous Court of Appeal—the Master of the Rolls "not without serious doubts"—affirmed it. Counsel for the respondent withdrew his contention that the Divorce Court had acted beyond its competence in making the order in question.

The definition of "settlement" contained in Section 21 (9) of Finance Act, 1936, includes: "any disposition, trust, covenant, agreement, arrangement or transfer of assets," and the Crown, in contending that the trust deed was not a "settlement," was driven to argue the opposite of what it had argued in *Hoad-Barrs v. C.I.R.* (1946, 2 All E.R. 768, 25 T.C. 317). Jenkins, L.J., referring to observations by Lord Macmillan in *Chamberlain v. C.I.R.* (1943, 25 T.C. 317) as to the essentials of a "settlement," said he fully accepted Lord Greene's remarks thereon in the *Hoad-Barrs* case. He does not, however, seem to have noticed that Lord Macmillan's dictum as to the essentials of a "settlement" was subsequently expressly approved in the speeches of three of the Lords who dealt with *Vestey v. C.I.R.* (1946-9, 31 T.C.1). Nevertheless, both the *Chamberlain* and *Vestey* cases arose

not under Section 21 of the Act of 1936, but under Section 41 of the Act of 1938, and the definitions of "settlement" differ in that "transfer of assets" does not appear in the later definition. According to Lord Macmillan, who endorsed the opinion of Lord Moncrieff in *C.I.R. v. Morton* (1941, 24 T.C. at p. 269), to constitute a "settlement" there must be a charging by the settlor "of certain property of his with rights in favour of others" and, assuming this being held to apply to the definition in Section 21, further legislation will probably be necessary.

If the Revenue does not avail itself of the permission to take the present case to the House of Lords, the point is likely to be taken to the Courts in the near future in another case.

*Income tax—Property transactions—Company with powers to deal in property and also powers to manage property—Treated by Inland Revenue as investment company and management expenses claims allowed—Sales of properties at profit—Whether trading transactions—Income Tax Act, 1918, Section 33, Schedule D, Case I.*

**Relim Ltd. v. Vise** (Ch., March 2, 1951, T.R. 27) was a case of a very common type. The appellant company, like many other companies with widely-drawn memoranda, could either deal in properties or hold them as investments. In the year to March 31, 1939, twelve houses, half an acre of land, and three garages had been purchased in Kettering and thirteen acres of land near Kettering, and in the year to March 31, 1944, a farm of 47 acres in Kettering had been purchased. All the said properties had been let to tenants and for years prior to the year 1946-7 the company had been treated as an investment company; up to that year it had no other income. It had claimed and been allowed relief in respect of management expenses under Section 33 of Income Tax Act, 1918.

In 1945, one house and one acre of land were sold. In 1946 the farm of 47 acres was sold and in March, 1947, the remaining 12 acres of land were sold and in the same year one house. The Commissioners had found that the profits realised were taxable as arising from trading transactions and Wynn-Parry, J., upheld their decision as a finding of fact supported by some evidence, although plainly indicating that if it were within his power he would have arrived at a different conclusion. The case is not one

which is of much value apart from the Judge's endorsement of the view that in the case of such a company its status as a dealing or investment company is not fixed once and for all but is to be judged by what it is in fact doing and, to quote from the judgment:

Over the early years of its existence, the company was in fact not dealing in properties and turning them over, and . . . the company was treated as an investment company. But such action by the Inland Revenue is not an irrevocable action; and if circumstances change, or if events show that the basis of treating the company as an investment company proves to be the wrong basis, the Inland Revenue are free to revise the position.

The converse of the above would also hold good although it will probably be more difficult to convince the Revenue of such a change of status.

*Income tax—Lloyd's underwriter—Trust funds required to ensure fulfilment of underwriting obligations—Whether income of all trust funds a trading receipt—Income Tax Act, 1918, Schedule C, Rule 2 (d); Schedule D, Case I—Finance Act, 1940, Sections 21 (1), 60 (1).*

**Owen v. Sassoon** (Ch., March 6, 1951, T.R. 49) was a case of importance within a limited field but with wider implications. Respondent was not resident in the United Kingdom. He was a "name" at Lloyd's, that is, a member of an underwriting syndicate managed by an underwriting agent who did the entire business and was in complete control. Each "name" has to deposit securities in accordance with rules made by the Committee of Lloyd's, and the trusts created for each class of underwriting business continue until he has ceased and his obligations as underwriter have been discharged. In the meantime, so long as no question has arisen as to the fulfilment of his obligations, the income of the deposited securities is paid to him. In addition, all premiums received by or on behalf of the member have to be carried to Premium Trust Funds and he cannot claim to have his share of a syndicate's premiums paid to him as and when received but must abide the determination of the underwriting agent. In addition to the premiums, an amount fixed by the Committee of Lloyd's will have been deposited with the agent to form the nucleus of each Premium Trust Fund and out of this fund claims are paid.

The question in the case was the extent to which the income arising from the deposited securities, in so far as it consisted of interest which in the case of a non-resident was exempted by Rule 3 (d) of Schedule C, was nevertheless to be included in assessment under Case I of Schedule D as being part of the profits of a Lloyd's under-

writer's business. It was not disputed that such interest in so far as it arose from securities comprised in Premium Trust Funds was to be included, but it was contended that in so far as it arose from the securities of the other trust funds it was not to be included, being merely security against default in his obligations and not available for day-to-day use in the business. In the case of insurance companies the point had been settled in favour of the Revenue in *Liverpool and London and Globe Insurance Co. v. Bennett* (1913, A.C. 610, 6 T.C. 327), but, as was argued upon behalf of the respondent, the position of a limited company was clearly different. Wynn-Parry, J., however, whilst recognising the difference, held that the general principle established in that case governed the matter. He therefore reversed the decision of the General Commissioners, saying at the close of his judgment:

It comes back, in my view, in the end, to the question: Is the capital from which the income in question is derived *employed and risked in the business*? . . . In my view, both upon first principles and upon authority, the answer to that question must be in the affirmative.

The words italicised are especially to be noted because the Revenue, for the purposes of Excess Profits taxation, has always refused to admit that the trust funds in question represented capital employed. Moreover, the decision, if accepted as establishing a general principle, would seem to be applicable in a much wider field than that of Lloyd's.

*Estate duty—Option given by will to purchase dwelling-house at estate duty valuation or price agreed with trustees—House valued for estate duty on a concessional basis—Whether this basis applicable to option.*

In *re Dowse* (Ch., December 7, 1950, (1951) T.R. 53) was interesting as an example of the curious consequences which can ensue from a Revenue concession, in this case from No. 8 in the recent list of estate duty concessions. Testatrix left her residuary estate in trust for her children in equal shares. She directed that if one or more of her three daughters made a written offer her dwelling-house was to be sold to the offeror "at the value placed upon the same at my death for estate duty purposes or a price to be agreed upon with my trustees." One of the daughters, upon behalf of herself and a sister, availed herself of the option and, later, indicated they desired to purchase at the value for estate duty purposes which, by reason of the said concession applying, was much less than the value with vacant possession. One of the residuary legatees objected to the house being sold on those terms, but Vaisey, J., held that the two daughters were entitled

to call for a conveyance on payment of £1,000, the valuation for estate duty, subject to a charge and covenant securing payment to the trustees of any additional value which might be subsequently placed on the property in accordance with the terms of the concession.

*Income tax—Excess rents—Deficiencies of rents—Whether deficiencies can be set off against excesses—Income Tax Act, 1918, Schedule D, Charging Rule 2, Case VI—Finance Act, 1927, Section 27—Finance Act, 1940, Section 15.*

*Littman v. Barron* (Ch., February 28, 1951, T.R. 23) was a case which raised an issue of interest and importance. The appellant was a dealer in property and held leasehold properties, from some of which he received rents to which the excess rent provisions of Section 15 of Finance Act, 1940, applied, the computed excesses being charged as provided therein under Case VI of Schedule D. In respect of five other leaseholds there were deficiencies, in two cases the rents being less than the rents paid by him whilst in three others he received no rent. Appellant claimed to set off the deficiencies against the excesses, but the Special Commissioners had rejected the claim, holding that the excesses taxed under the Act of 1940 were not "profits" in the sense used in Section 27 (1) of the Finance Act, 1927. Wynn-Parry, J., affirmed their decision. He said that it had been argued that, although the word "excess" was used in Section 15 (1) of the 1940 Act, in its context the word connoted a profit, in view of the provision that the excess was to be chargeable under Case VI, for this Case in charging Rule 2 was defined as embracing "annual profits and gains." Unless it was so construed Section 27 of the Finance Act, 1927, could not be invoked to allow set-off of loss. He held that the true view was that put forward by the Crown, namely, that by Section 15 of the Finance Act, 1940, a new

tax had been introduced and, for convenience, the machinery of Case VI had been employed. The Crown's main argument had apparently been based upon the artificial nature of the calculation for the purposes of Section 15 whereby in some cases there might be "excesses" but no business profits, whilst in others there might be business profits but no "excesses." A similar argument would, however, have been equally feasible with regard to the old hypothetical farmer's profits based on rent. Apart from this, it would seem to be a strange doctrine which makes the income tax to be other than a tax on "profits or gains," no matter how the latter are to be measured.

*Income tax—Solicitors—House for employee necessary to retain services—Pending completion of new bungalow, house purchased—No intention to retain after completion of bungalow—House then sold—Whether difference between purchase and sale price of house deductible in computing firm's profits—Income Tax Act, 1918, Cases I and II of Schedule D, Rule 3 (a) (b).*

In *Owen and Gadsdon v. Brock* (Ch., February 28, 1951, T.R. 21), the facts were as stated in the heading. The General Commissioners had decided that the expenditure incurred in purchasing the house was incurred solely for the purpose of retaining the services of the clerk and that the expenditure was necessarily incurred, but had held that it was capital expenditure. Wynn-Parry, J., upheld their decision, pointing out that the partners retained complete volition in the matter and that it was clearly a case of a change of capital investment.

Converses are not always true; but had the sale of the house resulted in a surplus one can hardly see how in the circumstances it could be regarded as part of the firm's profits as solicitors.

## TAX CASES—ADVANCE NOTES

By H. MAJOR ALLEN, Barrister-at-Law

COURT OF APPEAL (Cohen, Singleton and Jenkins, L.JJ.)

*Rellim, Ltd. v. Vise.* May 4, 1951.

The facts in this case and the decision of Wynn-Parry, J., are reported in this issue.

*Decision.*—The judgment of Wynn-Parry, J., was affirmed and the taxpayer's appeal dismissed.

*Davies v. Shell Co. of China, Ltd.* May 8, 1951.

The facts in this case and the decision of Danckwerts, J., were reported in ACCOUNTANCY for February, 1951, page 60.

*Decision.*—The judgment of Danckwerts, J., was affirmed and the Crown's appeal dismissed.



# The Student's Tax Columns

## PROFITS TAX—II

IT WILL HAVE BEEN NOTICED FROM THE PREVIOUS ARTICLE (ACCOUNTANCY, May, 1951, pages 190-1) that the effect of the relief for non-distribution of profits is to charge Profits Tax at the rate of 10 per cent. on the whole of the profits with an additional percentage on the profits distributed to members. It may not at first sight be apparent that this differentiation really arises from economic rather than commercial reasons. It is the aim at present to encourage companies to retain profits in the business and charging a higher rate of profits tax on profits distributed has this in view.

### "GROSS RELEVANT DISTRIBUTION"

It is, therefore, necessary first of all to decide what is meant by a distribution of profits. When we refer to the Finance Act, 1947, we find that the term "distribution" is very widely defined but we also find from looking at an earlier Section that we are not interested in the wider definition of distribution. What we are interested in is the gross relevant distribution to proprietors.

This means the total distributions to members of the company, provided that they are not distributions which can be allowed as deductions in computing the profits of the business for the purposes of profits tax. The gross relevant distributions therefore include :

- (1) Any amount distributed directly or indirectly by way of dividend or cash bonus to members.
- (2) Any assets distributed in specie to members.
- (3) If the company is director-controlled, any amount applied by way of remuneration, loans or otherwise for the benefit of any member (in so far, of course, as it is not allowed as a deduction in arriving at the profits).

It is expressly provided that any amount which is applied in repaying a loan from a member or in reducing the share capital of the company by authority of the Court is not to be treated as a distribution.

It is important to note that in the case of a director-controlled company any amount of remuneration or interest on loans or any other annual payment, or loans themselves which are made to members of the company, which are not permissible deductions in arriving at the profits, are to be treated as gross relevant distributions.

It is worth noting at this point that bonus shares issued by a company are not a distribution of assets and therefore cannot be termed to be a gross relevant distribution.\* For

there to be a gross relevant distribution there must actually be a division of assets among the members.

It is also of the utmost importance to note that to be a gross relevant distribution the payment must be to a member of the company. In cases where remuneration of directors is disallowed the amount disallowed will only be a gross relevant distribution if it is made to a director who is a member of the company. If he is not a member of the company the amount disallowed will not be a gross relevant distribution.

### DIRECTORS' REMUNERATION

Before proceeding further it is necessary to deal with the question of directors' remuneration.

Directors' remuneration is defined in the Acts as including all payments to a director, whether by way of remuneration or expenses, which is assessable on him under Schedule E. So long as he is a director it does not matter what other office he holds in the company. All payments in respect of remuneration for services, etc., will be deemed to be directors' remuneration.

There is one important exception, in favour of a director of a company who receives income in the course of carrying on a trade or profession. This exception will be dealt with in greater detail in these columns at some future date.

Where the company is not under the control of the directors the whole of the remuneration of directors is allowable so long as it is laid out wholly and exclusively for the purposes of the trade. It is thus left to the shareholders to see that the directors are not unduly overpaid.

It will be appreciated, however, that in the case of a director-controlled company, if the directors were allowed to charge just what they liked by way of remuneration it would be easy to divide the whole of the profits in that way so that no profits tax need become payable. A limit is therefore placed on the directors' remuneration in the case of director-controlled companies. Up to December 31, 1950, this limit is £2,500 or 15 per cent. of the profits, whichever is the greater amount, with a maximum of £15,000. It will be appreciated therefore that up to a total of profit of £16,666 before deduction of remuneration the maximum amount is £2,500. From there to £100,000 it is 15 per cent. of the profits and over £100,000 it is £15,000. It must be emphasised that this is a total figure for the whole of the directors and is a maximum. If the actual amount charged is less only the lesser amount is allowed. After 1950, the present Finance Bill proposes that in certain cases the limit is to be increased (see the article on pages 216-8 of this issue).

The method of adjusting for directors' remuneration is to

\* This is to be amended by the present Finance Bill where capital is repaid before or after the bonus issue.

(A) Year to December 31, 1950. Director-controlled company.

(B)	Adjusted Profits	...	...	...	...	...	...	...	...	£8,400
F.I.I.	...	...	...	...	...	...	...	...	£1,200	
									<u>          </u>	
Abatement :	...	...	...	...	...	...	...	...	$\frac{8,400}{9,600} \times \frac{(12,000 - 9,600)}{5}$	= 420
G.R.D.	...	...	...	...	...	...	...	...	<u>£7,200</u>	
N.R.D.	...	...	...	...	...	...	...	...	$\frac{7,980}{9,600} \times £7,200$	<u>5,985</u>
N.D.R.	...	...	...	...	...	...	...	...	...	£1,995 at 20 per cent. = 399
										P.T. Payable <u>£1,995</u>

	Year to 30.9.49		Year to 30.9.50	
Profits	£20,000 at 25% =	£5,000 0 0	£14,000 at 30% =	£4,200
F.I.I.	<u>£4,000</u>		<u>£4,000</u>	
G.R.D.	<u>£22,000</u>		<u>£22,000</u>	
	20,000			
N.R.D.	— × £22,000 =	18,333	£14,000 + (£22,000 —	
	24,000		(£14,000 + 4,000) =	£18,000
N.D.R.	1,667 at 15% =	250 1 0		
		<u>£4,749 19 0</u>		

£4,000, but limited to past N.D.R.      250 1 0

---

£4,450 1 0



(D) Director-controlled company. Year to December 31, 1949.

Profits, Case I, Schedule D	...	...	...	...	...	...	...	...	...	£16,000
Add Directors' Remuneration	...	...	...	...	...	...	...	...	...	4,000

										£20,000
Less Maximum Directors' Remuneration 15%	...	...	...	...	...	...	...	...	...	3,000

F.I.I. £2,000

G.R.D. Directors' remuneration disallowed	...	...	...	...	...	...	...	...	...	£1,000
Less paid to non-member	...	...	...	...	...	...	...	...	...	400

										600
Dividends	...	...	...	...	...	...	...	...	...	7,000

£7,600

N.R.D.  $\frac{17,000}{19,000} \times £7,600 = £6,800$

					9 months to 30.9.49		3 months to 31.12.49
Profits 9 : 3	...	...	...	...	£12,750 at 25% = £3,187 10 0		£4,250 at 30% = £1,275
N.R.D.	...	...	...	...	5,100		1,700
					£7,650 at 15% = 1,147 10 0		£2,550 at 20% = 510
					£2,040		£765

take the adjusted profits, excluding franked investment income, add back the directors' remuneration and apply the limitation. If, of course, the limitation is less than the actual remuneration then it is the actual remuneration which is allowed as a deduction in arriving at the profits.

#### NET RELEVANT DISTRIBUTION

Where there is no franked investment income and no abatement the gross relevant distribution will be the net relevant distribution. If, however, there is franked investment income and/or abatement then the net relevant distribution is the proportion of the gross relevant distribution which the chargeable profits bear to the profits before abatement and including franked investment income. It will be seen, then, that the gross relevant distribution is assumed to have been made proportionately out of the franked investment income and, where relevant, the abatement, and the profits chargeable, and in so far as it relates to the franked investment income and abatement (which are exempt from profits tax) obviously no account ought to be taken of that proportion of the distribution.

#### DISTRIBUTION CHARGES

It may be that in a particular year the gross relevant distribution exceeds the profits before abatement and including the franked investment income. If that is so, the whole of the profits of the period have been distributed, including those profits which are exempted from profits tax,

and the excess must have come out of the profits of a previous period. The whole of the chargeable profits of that year will therefore be liable at the full rate of profits tax without any non-distribution relief, but the excess in question, which has been paid out of profits of previous years, may have been paid out of non-distributed profits on which non-distribution relief has been given. To that extent it should therefore be the subject of a distribution charge. This charge is to withdraw reliefs previously given to the extent by which the gross relevant distribution exceeds the profits including franked investment income. For this purpose, "last in, first out" is applied; i.e., it is the profits of the most recent chargeable accounting period that are deemed to be distributed.

#### REPAYMENT OF LOANS

As a loan to members of a director-controlled company is regarded as a gross relevant distribution, it will increase the charge to profits tax to the extent that it is taken into account in the net relevant distribution. At a later date when the loan is repaid it is only right therefore that some relief should be given for that fact. Relief is given when the loan is repaid by an adjustment to take into account the amount of additional tax which has been paid in respect of it. Sometimes it may be that full relief cannot be given in the chargeable accounting period in which the loan was repaid and any balance is then carried forward for relief in subsequent accounting periods.

## Legal Notes

*Confiscatory law of foreign country not enforceable in England.*

In **Novello & Co. v. Hinrichsen** (1951, 1 A.E.R., 779) Wynn-Parry, J., reaffirmed the principle that the English courts will not treat as binding upon assets situated within their jurisdiction the law of a foreign country which is confiscatory in policy. The main point in issue was whether or not the defendant was the owner of the English copyright in certain publications as the personal representative of two German Jews who had undoubtedly owned that copyright up to 1938. Under decrees of the Nazi Government in that year the two Jews were deprived of all control of their business and a so-called trustee was appointed: this trustee then sold all the assets, including the copyright in question, to two other Germans, the Government pocketing most of the proceeds. Wynn-Parry, J., said that the principles laid down in *Frankfurter v. Exner* (1947, Ch. 629) were not affected by the fact that the purported sale was not made directly by the decree but through the trustee. In substance, the decree had robbed the two owners of the copyright of their assets and was clearly confiscatory. Accordingly in the events which had happened the English copyright was vested in the defendant.

*Repayment by company of moneys in share premium account.*

An article in *ACCOUNTANCY* for December, 1950 (page 428), discussed generally the question whether moneys distributed by companies were to be treated by trustees as capital or income, and an interesting example of this question has recently been considered by the Courts in **Re Duff's Settlement** (1951, W.N., 219).

H., Ltd., had from time to time allotted certain of its shares at a premium and had transferred the total amount of the premiums to a share premium account in accordance with Section 56 (1) of the Companies Act, 1948. By that sub-Section moneys in the share premium account may be used by a company in paying up unissued shares to be issued as fully-paid shares, in writing off the preliminary expenses of the company or the expenses of any issue of shares or debentures, or in providing for the premium payable on the redemption of Preference shares or debentures. Any other use of the moneys is to be treated as a reduction of capital and

must be confirmed by the Court. H., Ltd., obtained the confirmation of the Court and repaid a cash sum on each share from the share premium account. The trustees of certain shares took out a summons to have determined whether the moneys were to be treated as capital or income.

Counsel for the tenants for life contended that before the Companies Act, 1948, premiums received by companies on the allotment of their shares ranked as profits available for payment of dividends, and that after the Act the persons entitled to the income of a trust were still entitled to moneys from the share premium account, even though the consent of the Court had to be obtained to the distribution. Further, in accordance with the principles established in *Hill v. Permanent Trustee Company of New South Wales* (1930, A.C., 720), whatever the nature of the share premium account in the hands of the company, the moneys distributed from it were income in the hands of the recipients; there was no means other than an authorised reduction of share capital of parting with moneys to shareholders except by way of returning profits.

Harman, J., held that Section 56 (1) of the Companies Act, 1948, had altered the position. This had created a new class of capital which was not share capital but was not distributable as income any more than any other capital asset. A share was a "bundle of rights" belonging to a shareholder and since the Act of 1948 one of those rights was that the share premium account could only be distributed in accordance with the Act. When the share premium account was reduced, the value of every share was also reduced. Therefore, although the share capital was not reduced, there was a reduction of capital. The moneys received from the share premium account must be treated by the trustees as capital.

*Gas Act—Adjustments between accounts of local authorities and Gas Boards.*

In **Hinckley U.D.C. v. West Midlands Gas Board** (1951, 1 A.E.R., 788) the Court of Appeal affirmed the decision which was briefly noted in *ACCOUNTANCY* for March, 1951 (page 118).

*Compulsory purchases by Central Land Board.*

In **Earl Fitzwilliam's Estates v. Minister of Town and Country Planning** (1951, W.N., 212) the Court of

Appeal affirmed the decision of Birkett, J., which was noted in *ACCOUNTANCY* for October, 1950, (page 373). The majority of the Court based their decision on reasoning rather different from that adopted by the learned Judge, and Denning, L.J., delivered a vigorous dissenting judgment. It is thus by no means certain what the final result will be if, as is likely, an appeal is made to the House of Lords. An article discussing the general implications of the present decision appears on page 211.

*Liability of Accountants and Auditors for negligence*

An article entitled "Negligence of Accountants and Auditors" appeared in *ACCOUNTANCY*, March, 1951 (page 88), and referred to a recent case which was then unreported. A full report has now been published—**Candler v. Crane Christmas and Co.** (1951, 1 A.E.R. 426)—and a few additional comments may be helpful.

(a) The main point affirmed was that for the negligent preparation of accounts an accountant or auditor is not liable to persons with whom he is not in a contractual or fiduciary relationship. A forceful dissenting judgment was, however, delivered by Denning, L.J. He took the view that accountants do owe a duty of care not only to their clients but also to any third person to whom they themselves show the accounts or to whom they know that their clients are going to show the accounts with the purpose of inducing him to invest money or take some other action upon them. The liability of the accountants would extend only to those transactions for which they knew the accounts to be required. It is possible that Denning, L.J.'s views might be accepted in the House of Lords.

(b) Mr. Candler was shown the accounts before he became a shareholder in the company which had instructed the defendants. The Court of Appeal did not deal with the extent of any duty owed by auditors to shareholders.

(c) The defendants' clerk had been instructed to prepare the accounts but it was alleged that he had no express authority from his principal to show the draft accounts to Mr. Candler. The Court held that whether or not he had express authority, the clerk was acting within the scope of his employment, and therefore, if a duty of care had existed, the principal would have been liable.

### Business Efficiency Exhibition

The Business Efficiency Exhibition, organised by the Office Appliance Trades Association, is to be held at Olympia from June 6 to June 16. The exhibition will be open from 10 a.m. to 8 p.m.



# The Month in the City

## Switch to Equities

WHATEVER ELSE THE INVESTING PUBLIC MAY have thought of the Budget it is now apparent that they regard it as inflationary. There has been something of a boomlet on the Stock Exchange. From mid-April to mid-May the general value of British industrial equities rose by some 10 per cent.—to within measurable distance of the post-war highest point. This statement underestimates the rise in those shares which have been most in demand, for the buying has been highly selective.

It is, of course, evident that, in so far as a positive change is occurring in the direction of industrial production, the course of share values is justified. But one may doubt both whether the choice of the buyers has always been wise and whether the movement has not been carried too far. At the time of going to press the position is, very approximately, that some of the new favourites have been bid up to prices at which the yield on current dividends is not much more than half that obtainable on shares which until recently were definitely in the "blue chip" class. The buying of these new favourites stems mainly from expectations that they will increase both profits and dividends; but even so the disparity seems justified only on a view substantially shorter than that generally taken by investors. Some adjustment now seems to be called for, but whether it should come about by a further rise in the old favourites or a fall in the new is a matter on which there is much difference of opinion.

Some apparent justification for the sharp rise in share quotations is provided by the publication of a number of company accounts showing remarkable increases in earnings even after increased taxation. Such results are likely to continue to "hit the headlines," but the all-important question remains: "Will companies be able, under the impact of rising prices and increased taxation, to maintain their physical assets intact?"

## The Rate of Interest

Meanwhile, the market position has been further complicated by the increased attention which is being paid to the future of the rate of interest. It is remarkable that during the industrial boomlet there has been no considerable further fall in gilt-edged securities, the more so since there has been widespread talk about a possible change of interest policy. For some time it has been evident that even the qualified support for the market provided during the Cripps regime was not now forthcoming, and more than

once Mr. Gaitskell has made statements suggesting that he regarded the recent rise in the rate as favourable to Government policy rather than the reverse. Many experts on credit policy—but not all—accept the thesis that some action in the monetary field will be needed to reinforce the Budget if inflation is to be kept in check. However, there is so far no sign of a move in this direction.

A further factor of interest is the effect on share values of declining commodity prices. The effect has been restricted by the fact that some of the fall in commodity prices is due to temporary abstention by the United States from stockpiling, but the economic blockade of China has had a definite effect on rubber and rubber shares.

Changes in the indices compiled by the *Financial Times* over the period April 24 to May 23 are as follows: Government Securities from 103.94 to 102.30, Industrial Ordinary from 131.2 to 136.0 and Gold Mines from 122.38 to 117.41.

## Finance Bill Reactions

The comparatively good reception given to the Budget speech has not been accorded to the details later published in the Finance Bill. The further assault on the relations between banker and customer, the far-reaching measures proposed for preventing transfers of company domicile outside this country and the power to effect a notional revision of company arrangements which reduce liability to Profits Tax, are all regarded as objectionable measures showing the lengths to which the Legislature will go when unduly onerous tax is to be collected. City opinion is that these measures will certainly do further grave harm to the position of London as a financial centre and so, in all but the short run, to the revenue of the Exchequer. Indeed, it is by no means apparent that even in the short run the additional tax collected will be substantial.

## Revaluation of Assets and Replacement Costs

Among a long list of results of large companies, pride of place must go to the preliminary statement of *Imperial Chemical Industries*. In accordance with expectation, the dividend is raised from 10 to 12 per cent., but this rise absorbs only a negligible fraction of the increase in net profit, £530,000 out of over £9,750,000. Almost the whole of the remainder goes to the maintenance of the existing assets structure, £5 million for fixed assets replacement and £4 million for stock reserve.

The company has been widely con-

gratulated on having undertaken the colossal task of revaluing its assets at current prices and on presenting them in a way which shows how far it has been possible to provide for their replacement. They are equally to be congratulated upon coming nearer than most concerns to having met their obligations under this head.

## I.C.F.C.

The report of the *Industrial and Commercial Finance Corporation* shows that business in the year to March 31, 1951, increased compared with the previous year. Advances and investments were widely distributed geographically and industrially. Scottish business continued, however, to offer relatively less scope to the Corporation, partly because lenders and borrowers seem to be in closer relationships there and partly because more capital for industry is provided by the banks. London industrialists put in about three times as many requests for finance (on a comparable basis) as those in the industrial Midlands and North.

Profits were substantially higher on the year and the contingencies reserve is raised from £100,000 to £500,000. A feature of the figures is a really substantial switch from unsecured loans into Preference shares. While this is intelligible from the standpoint of the Corporation, one is bound to reflect that, with Profits Tax of 50 per cent. payable on Preference dividends, this type of borrowing will now be extremely expensive and therefore most unwelcome to the industrialist. This may help to explain why the new business of the Corporation has not been larger at a time when industry generally has been short of funds, in relation to its requirements.

## Unit Trust Quotation

The month has brought something of an event in the quotation for the first time of unit trust sub-units on the London Stock Exchange. It may be recalled that some eighteen months or more ago the Council announced the conditions upon which a quotation would be granted: at the time, these seemed to be even more stringent than the regulations laid down either by the association of the trusts or by the Board of Trade. The group to take advantage of these facilities is the "*M and G*" *General Trust Fund*. The choice of date was dictated by the fact that the first of the trusts established by this group will reach its twentieth birthday in June. Holders of all four British Fixed Trusts are invited to convert into the new General Trust. The experiment will be watched with interest. The high esteem in which the management of this group is held and the need for some ready means of securing an adequate spread for the small investor suggest that the unit trust movement may now be entering upon a new phase.

# Points from Published Accounts

## Excess Depreciation Again

IN A PROFESSIONAL NOTE IN OUR LAST ISSUE (page 167) we commented upon the inclusion of turnover figures in the *Ford Motor* accounts. The accounts are interesting also for their treatment of excess depreciation and obsolescence provisions. The following footnotes to the accounts demonstrate what has happened in the past (the figures in parentheses are those for the group):

(a) The amount of £1,581,101 (£1,683,558) charged in the profit and loss account for depreciation and obsolescence of fixed assets is the sum considered by the directors to be appropriate in respect of the year's usage thereof, having regard to their original cost and to their estimated life. This differs from the basis upon which the amount charged was computed in previous years and has resulted in the inclusion of an additional amount of £803,458 (£862,333) in 1950.

(b) Resulting from a general survey of the company's fixed assets, the directors are of the opinion that the accumulated amount set aside in respect of depreciation and obsolescence of machinery, plant, tools and equipment, etc., at July 1, 1948, was, and still is, in excess of that reasonably necessary for the purpose. Accordingly, in order to comply with the requirements of the Companies Act, 1948, the following amounts, totalling £2,396,484 (£2,543,517) representing excess depreciation written off since July 1, 1948, have been transferred to the reserve established to meet replacement of fixed assets.

	£	£
Period from July 1, 1948, to Dec. 31, 1948	275,037	(285,581)
Year ended Dec. 31, 1949	737,948	(782,785)
Year ended Dec. 31, 1950	1,383,499	(1,475,151)
	<u>£2,396,484</u>	<u>(£2,543,517)</u>

We imagine that many shareholders would find it difficult to understand precisely what these footnotes mean, but they would no doubt quickly seize on the interpretation that the company had long been aware of the problem of replacing fixed assets.

## Excess Provision for Deferred Repairs

The auditors have asked that the provision for deferred repairs, shown at £735,000 in the 1949 balance sheet of *Charrington and Company*, the well-known brewers, should be reduced from the figure quoted "because the task of carrying out deferred repairs is almost completed." In his speech, circulated with the accounts, the chairman stated

that £110,000 had been applied to meet the expenses of repairs, previously deferred but effected in 1950, and that £400,000 had been transferred to the property rebuilding reserve. The residue of £225,000 was, he said, considered ample to complete the task of repairs, even in the face of rising costs. Before striking a net profit after taxation the company takes credit for £75,000 relief in respect of deferred repairs and initial allowances.

## No Appropriation Account

The accounts of *George Mallinson* are unusual. The profit and loss account strikes a profit subject to taxation. The story of how this is dealt with is then given, not in an appropriation account, but in the balance sheet—under the heading "profit and loss account." The tax provision is a single figure, the profits tax charge not being shown separately. Most important, there are no comparative figures apart from the balance at "profit and loss" at the previous year-end. Shareholders cannot see, therefore, whether reserves, appropriations, tax provision or dividend payments have been altered. It is not apparent from the inclusion under current liabilities of comparative figures of final dividends recommended that the total Ordinary dividend is, in fact, to be increased.

## Jantzen's Award for Figure Display

With the aim of increasing the utility of the annual reports issued by companies, the Sydney Division of the Institute of Management held a competition (announced on page 306 of *ACCOUNTANCY* for September last) for the best company annual report for 1950.

The adjudicating committee of the Institute recently made its award and has selected the annual report issued by *Jantzen (Australia), Ltd.* (makers of swim suits and other garments) as the winning entry.

The Institute in its brochure stated that the purpose of the award was to encourage better annual reports so as to:

- (1) Make known the important place of private enterprise in the community.
- (2) Encourage the dissemination to shareholders and others of information about company activities in a form which those without business training can understand.
- (3) Endeavour to establish better employee-employer relations by making known facts about the company and the financial results of its activities, and to endeavour to create employee pride in the company, its products and the services which it provides.

The *Jantzen* report is provided with "pie-charts," diagrams and photographs (some aerial) of the company's works—but not in such profusion that their message is hidden in artistic embellishments. Curves, rather surprisingly, are not used! The famous *Jantzen* "diving belle" is neatly employed as a pointer, moving in her perfect swallow dive towards the headings of the various explanatory statements and accounts (see specimens, pages 231-3). Almost at the end of the report the balance sheet and the profit and loss account are given in narrative, but orthodox, form—if, as we hope, orthodoxy may be claimed, in this accounting day and age, for the narrative form—followed by clear-cut and simple statements of the source and utilisation of increased funds and of the make-up of working capital. At the beginning appears a well-shaped "explanatory profit and loss account" and an "explanatory balance sheet," with assets on the left-hand side and liabilities on the right-hand. We reproduce these last "accounts without tears."

## Australian Views on Good Company Reports

The following facts are extracted from a review of the winning entry in the competition of the Institute of Management of Sydney, Australia (referred to in the previous note) and of the twenty entries graded as meritorious. The list can therefore be taken as a guide to present-day thought and practice in Australia on the subject of company annual reports.

	No. of Companies
<b>Presentation</b>	
Used distinctive covers .. .. .	21
Printed in two or more colours .. .. .	21
Showed pictures of buildings, etc. .. .. .	18
Showed pictures of products .. .. .	16
Showed pictures of personnel .. .. .	10
<b>Financial Data</b>	
Figures given to nearest £1 .. .. .	21
Showed comparisons with previous reports .. .. .	20
Shareholders' funds listed first in balance sheet .. .. .	19
Charts used for analysis .. .. .	15
(Five used graphs as well as charts)	
Current liabilities deducted from current assets .. .. .	12
Used vertical balance sheet .. .. .	11
Graphs used .. .. .	8
Sales figure disclosed .. .. .	7
Used explanatory notes .. .. .	3
<b>General Information</b>	
Product and/or service information given .. .. .	11
Reference to employee relations made .. .. .	9
Future prospects outlined .. .. .	9
Analysis of shareholding given .. .. .	7



**EXPLANATORY PROFIT AND LOSS STATEMENT**  
**FOR THE YEAR ENDED 31st MARCH, 1950**  
 (COMPARED WITH THAT FOR THE YEAR ENDED 31st MARCH, 1949)

1949		1950
£		£
<b>INCOME:</b>		
520,501	We received income from the sale of our products of ..	815,975
3,420	We received other income, such as discounts, royalties, etc., of .. .. .	5,848
<u>523,921</u>	Which gave us a total income of .. .. .	<u>821,823</u>
<b>OUTGO:</b>		
215,779	For materials and supplies used in our manufacturing ..	391,246
98,784	For expenses (other than taxes, depreciation, and wages) including factory, warehouse and shipping, selling and administration expenses .. .. .	133,946
8,803	For depreciation, representing an allowance which has been laid aside to replace buildings and equipment as those things wear out .. .. .	10,513
323,366	Total materials, manufacturing and distribution costs ..	535,705
24,028	For pay roll and income taxes .. .. .	34,161
<u>347,394</u>		<u>569,866</u>
<u>176,527</u>	<b>THIS LEFT AVAILABLE FOR EMPLOYEES, SHAREHOLDERS AND FUTURE NEEDS .. ..</b>	<u>251,957</u>
Which was divided as follows:		
151,409	For wages, salaries, sales commissions and contribution to staff superannuation scheme .. .. .	205,397
11,945	For dividends to shareholders .. .. .	13,850
13,173	Retained to promote growth and modernisation of the business .. .. .	32,710



# E X P L A N A T O R Y

LISTING WHAT WE OWNED, WHAT WE OWED, AND WHAT WE WERE

(AND AS COMPARED WITH THE

1949		1950
	ASSETS . . . What We Owned	
£		£
	CASH ON HAND: This amount is the total of various petty cash	
386	and stamp funds . . . . .	441
	ACCOUNTS RECEIVABLE: Total owed us by our customers for	
	merchandise less estimated amounts which we may not be able	
	to collect, together with amounts due by salesmen, agents and	
53,683	sundry debtors . . . . .	145,574
	INVENTORIES: This is the value of raw materials, garments in	
	work and finished products on hand or in transit at the close	
270,495	of the year . . . . .	312,367
	DEFERRED CHARGES: In the operation of the business, services	
	such as insurance, rates and taxes are paid in advance. This	
78	amount will be used during the ensuing year . . . . .	254
	LAND, PLANT AND EQUIPMENT — DEPRECIATED COST:	
	This is the amount we paid for our land, buildings, machinery	
	and equipment, less an estimated allowance for loss in value	
85,323	because they are gradually wearing out and becoming obsolete	96,668
	PATENTS, TRADE MARKS, ETC.: When this Company com-	
	menced operations in 1928 the sum of £15,000 was paid to the	
	Jantzen Knitting Mills Inc., U.S.A., by the issue of 15,000 ordinary	
	shares of £1 each fully paid. In return an agreement was made	
	transferring to our Company certain patents and trade marks	
	and giving an undertaking to supply us in perpetuity with	
	technical, styling and advertising information. In subsequent	
	years an amount of £5,000 was written off by appropriation of	
	profit. The Company's Directors consider the value of this asset	
10,000	is conservatively stated at . . . . .	10,000
<u>£419,965</u>		<u>£565,304</u>



# BALANCE SHEET

WORTH AT THE CLOSE OF OUR FINANCIAL YEAR, 31st MARCH, 1950.  
(POSITION A YEAR EARLIER)

1949	LIABILITIES . . . What We Owed	195
£		£
88,600	<b>BANK OVERDRAFT</b> (Secured): This represents money borrowed from the bank for the purpose of carrying on our operations ..	156,065
30,107	<b>ACCOUNTS PAYABLE:</b> Amounts we owed for the purchase of manufacturing materials, supplies and services, together with sundry amounts due to associated companies and others ..	55,933
5,812	<b>MISCELLANEOUS ACCRUALS:</b> This represents an estimate of sundry expenses incurred, an amount set aside for sick and holiday pay and salaries and wages earned, but not paid at 31st March, 1950	7,724
30,996	<b>PROVISION FOR INCOME TAX:</b> This represents the estimated amounts due to the Australian and New Zealand Governments for income taxes .. .. .	47,615
7,397	<b>PROVISION FOR DIVIDENDS PAYABLE:</b> This is the further amount we expect to pay to shareholders for dividends out of profits for this last completed financial year .. .. .	8,204
<u>£162,912</u>		<u>£275,541</u>

1949	SHAREHOLDERS' FUNDS . . . What We Were Worth	195
257,053	<b>CAPITAL, RESERVES AND SURPLUS:</b> This represents the investment in the business by 238 shareholders .. .. .	289,763
<u>£419,965</u>		<u>£565,304</u>

# THE SOCIETY OF Incorporated Accountants

## SIXTY-SIXTH ANNUAL GENERAL MEETING

THE SIXTY-SIXTH ANNUAL GENERAL MEETING of the Society of Incorporated Accountants was held on May 23 at the Hall of the Chartered Auctioneers' and Estate Agents' Institute (by kind permission of the Council of that Institute).

The President, Mr. A. Stuart Allen, F.S.A.A., moved the adoption of the report and accounts, and delivered the address which is reproduced on pages 206-211 of this issue.

The motion was seconded by the Vice-President, Mr. C. Percy Barrowcliff.

Mr. C. R. RIDDINGTON (Leicester) thanked the President for his illuminating remarks, particularly with regard to the position of the small businesses, which comprised over 92 per cent. of the businesses in this country. This was a matter of great consequence to Incorporated Accountants and other members of the profession throughout the country at the moment. There was the additional tax, estate duty, which made the position considerably worse. Estate duty was a tax on capital, and as such really should be ploughed back into the business in the form of capital. He thought that was a matter upon which the Society should make representations.

But the subject on which he really wanted to speak was the Public Accountants' Bill. This was mooted about eight years ago, and discussions had been going on gradually over the whole period. The essence of the matter was the question: was accountancy a profession or not? If it was, then he believed the profession should be controlled. Most of those present stood on their experience and knowledge of the fact that the name "Incorporated Accountant" did stand for a good deal in the country, but that was not enough. They must consider their obligations to the public. They were consulted by their clients, who relied on their integrity. If it was difficult to define accountancy, it would also be difficult to give a definition of the term "lawyer." He suggested that the Society should discuss the matter further with the Board of Trade, with or without the support of the other accountancy bodies.

Mr. F. A. ROBERTS (London) referred to the item appearing in the below the line section of the income and expenditure account, the provision for the anticipated expenditure in connection with the Inter-

national Congress in 1952. He always understood that a statutory definition of a provision was two-fold. First, before there could be a provision there must be a liability. Further, the liability must be one which could not be estimated with substantial accuracy. With regard to this item, he did not follow how there could be a liability, but if there were a liability he assumed that it was capable of estimation with substantial accuracy.

The practical result was that the £1,500 would not appear in the body of any one income and expenditure account. He thought it would be interesting to hear the legal view.

THE PRESIDENT agreed with Mr. Riddington's comment that in his figures of a small business he had paid no regard to estate duty. As he was discussing "germination and growth," it would surely have been a little inappropriate to bring in such a contrasted thing as death. Estate duty did impose grave and sometimes crippling burdens, but only on an established business where the capital had reached some magnitude.

With regard to co-ordination, the main problem had been to arrive at a definition which would be acceptable to all parties who were interested, including Government departments representing the interests of the public.

It was his personal conviction that nothing more harmful could happen to the profession than that in this matter the Society should not keep in step with the other bodies associated with them.

Mr. Roberts had drawn attention to the provision of £1,500 in respect of the proposed International Congress on Accounting in 1952. He postulated that for there to be a provision there must be a liability. There was one: they had undertaken jointly with other bodies to sponsor an International Congress. Secondly, the amount of the liability was incapable of ascertainment. Could anyone say to-day that the Congress in 1952 would ever be held? Did it follow that because they had made a provision the actual cost when it was ascertained would not appear in the appropriate place? He did not see any difficulty.

The resolution was put to the meeting and carried.

The President then presented the Gold and Silver Medals in respect of the Final Examinations held in the year 1950: the

Gold Medal to Mr. Peter Scarfe, of Norwich, and the Silver Medal to Mr. David Stanley Morris, of London. (Applause.)

The retiring members of the Council were re-elected on the motion of Mr. R. Wilson Bartlett, seconded by Mr. A. E. Middleton.

Mr. C. P. BARROWCLIFF (Vice-President) proposed the re-election of six further members of the Council, although they were over the age of seventy. Each name was put to the meeting separately and each was re-elected. The motions were seconded by Mr. Bertram Nelson.

Mr. E. J. WALDRON (Southampton) proposed that Mr. Hedley John Bicker, Fellow, of Bournemouth, who was appointed to the Council to fill an occasional vacancy in accordance with the provisions of Article 48, be re-elected as a member of the Council. As President of the South of England District Society, he had known Mr. Bicker for many years.

Mr. C. R. FOOT seconded the resolution, which was carried. Mr. BICKER acknowledged his election.

Mr. JOSEPH STEPHENSON (Peterborough) proposed that Mr. James Atkinson Allen, Incorporated Accountant, London, who was appointed by the Council to fill a casual vacancy in accordance with the provisions of Article 89, be re-elected an auditor of the Society and that his fee be fixed at one hundred guineas for the ensuing year; and that the fee of Mr. Stanley Wallis, Incorporated Accountant, who was willing to continue in office as auditor for a further year, be fixed at one hundred guineas for the year, travelling expenses to be paid in addition.

Mr. F. DEAN (Bradford) seconded the proposition and it was carried.

SIR THOMAS KEENS submitted "That the members of the Society of Incorporated Accountants and Auditors in General Meeting assembled tender to Mr. A. Stuart Allen, Fellow, their sincere and cordial thanks for his services as President of the Society from 1949 to 1951. They record their deep appreciation of his leadership and the able manner in which he has discharged his manifold duties. They rejoice that the culmination of his presidency coincides with the completion of the restoration of Incorporated Accountants' Hall and its re-occupation by the Society."

Sir Thomas said that the presidency of the Society was almost a whole-time job. For the past two years the office had been held by Mr. Stuart Allen, who had made in his capacity as President very important pronouncements on finance and economics, but they knew also in the Council that beyond those public presentations and in addition to speaking all over the United Kingdom he had devoted himself to the



business of the Society and of the Council in these troublous years.

The motion was put to the meeting and carried unanimously by acclamation. THE PRESIDENT briefly replied.

### EXTRAORDINARY GENERAL MEETING

AFTER THE CONCLUSION OF THE ANNUAL general meeting an extraordinary general meeting was held to consider the following resolution :

That the Articles of Association of the Society be amended by inserting after Article 51 the following new Article to be known as Article 51A :

"51A. By virtue of sub-section (7) of Section 185 of the Companies Act, 1948, the provisions of sub-sections (1) to (6) of that Section, relating to the retirement of Directors under age limit, shall not apply to Members of the Council of the Society."

THE PRESIDENT, in proposing the resolution, recalled that last year he spoke at some length on the services rendered by the senior members of the Council. In his speech that day he had said : "The main credit for the excellent spirit which pervades the organisation must go to the senior members of the Council." A good spirit was obtained by example and not by precept.

This resolution became necessary only because the Society was incorporated under the Companies Act. In that connection the Society was in a minority : most professional bodies were incorporated by charter. So it was only the accident of birth that made necessary the resolution. They were not ashamed of their birth. They were very proud of the position they had attained in the profession.

He wished to add one further word of tribute and of gratitude to the senior members of the Council for the work that they were still doing and without which it would be extremely difficult for the Society to continue the excellent progress that it had made and was making.

THE VICE-PRESIDENT (Mr. C. Percy Barrowcliff) seconded the resolution. He thought it was unfortunate that members of the Council should be embarrassed, singled out and distinguished from those of other professional bodies. The Companies Act was passed to deal with trading institutions.

MR. H. S. PARKIN (Newcastle-on-Tyne) said it was a matter of some regret to him that one of his last actions before resigning the presidency of his District Society should be on behalf of that District Society to oppose the resolution. They appreciated that had been said with regard to the experience, advice and guidance of these older members, but surely that was answered by the procedure which took place that afternoon at the annual general

meeting, without giving the Council unlimited powers.

MR. E. E. EMERSON (Leeds) supported the resolution. He was in industry, and he was a director. He had not yet reached the age of 70, and therefore was not personally affected by this fatuous provision in the Companies Act. His feeling was that it was purely a matter of suitability and ability, and that age was nothing whatever to do with it. As a young member, he had always found that the older members of the Council had placed their experience and ability at the disposal of younger members. They appreciated that very much.

MR. C. R. RIDDINGTON (Leicester) agreed that it was a question of the actual quality of the candidate for the Council that counted in the long run ; but he felt that the executive work of the Council should be done, as far as possible, by some of the younger members. He suggested that the older members should not be eligible at all for re-election but should be co-opted at a certain age for permanent election to the Council, giving the chance to the younger members of appointment. The advice of the older members was definitely appreciated, and they could not do without it.

MR. J. E. SPOORS (Newcastle-on-Tyne) said the reason the Newcastle Committee had brought the matter up was not that they thought that everybody at 70 was quite senile and should leave the Society. But, taking a rather long view, they wondered whether one-third of the Council being over 70 was in the best interests of the Society. They felt that the provision in the Companies Act gave a choice ; that the really good men should be kept on, and that the others should gracefully retire. The Council should be like a reservoir, but in order that fresh water might enter the reservoir the old water must run out.

THE PRESIDENT, in reply to the discussion, said that the Council fully realised the advantage of having young members on the Council. They accepted that a reservoir of wisdom must be stagnant unless there was both an outflow and an inflow.

The suggestion of having some advisory body, a second chamber, had been canvassed more than once, but they had again come up against the difficulty that the Society was incorporated under the Companies Act, and they had the responsibility of directors as therein defined.

It was very understandable that the Companies Act should prevent any vested interest in an office of profit. All he could say was that service on the Council was certainly not an office of profit. Therefore, what was appropriate to prevent an undue clinging to an office of profit was wholly inappropriate to continued service in a wholly unremunerative function.

The resolution was then put to the meeting and declared carried by an overwhelming majority.

MR. J. E. SPOORS moved a vote of thanks to the President for presiding at that meeting. He was afraid that Newcastle had been rather a thorn in the President's side. They were always trying to be helpful, but sometimes they did it the wrong way.

The vote of thanks was carried by acclamation.

THE PRESIDENT, in his reply, said that opposition, so far as it was provocative of thought and consideration, was very desirable. The Council esteemed and welcomed it.

### COUNCIL MEETINGS

MAY 23, 1951

A REPORT WILL APPEAR IN OUR NEXT ISSUE of the Council meeting held in the morning of May 23.

A second meeting was held after the annual general meeting and extraordinary general meeting.

#### PRESIDENT AND VICE-PRESIDENT

Sir Thomas Keens proposed and Mr. E. Cassleton Elliott seconded that Mr. C. Percy Barrowcliff be elected President of the Society. This was carried unanimously.

Mr. Bertram Nelson was unanimously elected Vice-President on the motion of Mr. C. Percy Barrowcliff, seconded by Mr. R. Wilson Bartlett.

#### DISCIPLINARY COMMITTEE

The Disciplinary Committee was elected by ballot in accordance with the Society's Articles.

### EXAMINATIONS, NOVEMBER, 1951

THE SOCIETY'S NOVEMBER, 1951, EXAMINATIONS will be held on the following dates :

Final: Part I November 13 and 14, 1951.

Part II November 15 and 16, 1951.

Intermediate: November 15 and 16, 1951.

Preliminary: November 15 and 16, 1951.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle-on-Tyne.

Completed applications, together with all the relevant supporting documents and the fee (Final Part I £3 3s., Final Part II £3 3s., Final as a whole £5 5s.; Intermediate £4 4s.; Preliminary £3 3s., Modified Preliminary £3 3s.) must reach the Secretary not later than Monday, September 17. Candidates are asked to obtain application forms from the Honorary Secretary of their Branch or District Society.

# SIXTY-SIXTH ANNUAL REPORT

## PRESIDENT AND VICE-PRESIDENT

AT A MEETING OF THE COUNCIL HELD ON WEDNESDAY, MAY 24, 1950, MR. ALBERT Stuart Allen, London, and Mr. Charles Percival Barrowcliff, Middlesbrough, were re-elected President and Vice-President respectively for the ensuing year.

MEMBERSHIP				Hon.	
		Fellows	Associates	Members	Total
As at December 31, 1948	.. .. .	1,810	6,371	1	8,182
As at December 31, 1949	.. .. .	1,890	6,604	2	8,496
<i>Add :</i>					
New Members	.. .. .	3	442		445
Transferred from Associateship	.. .. .	109			109
Readmissions	.. .. .	1	8		9
		2,003	7,054	2	9,059
<i>Deduct :</i>					
Transferred to Fellowship	.. .. .		109	109	
Resignations	.. .. .	11	23	34	
Deaths	.. .. .	53	65	119	
Other Causes	.. .. .	3	7	10	
		67	204	272	
As at December 31, 1950	.. .. .	1,936	6,850	1	8,787
Members in practice	.. .. .	1,536	1,725	3,261	
Members not in practice	.. .. .	400	5,125	1	5,526
		1,936	6,850	1	8,787

## OBITUARY

The Council records with regret the deaths of 129 members. Reference was made in the Report for 1949 to the great loss which the Society suffered by the death of Mr. Charles Hewetson Nelson, and the Council now desires to pay special tribute to the services rendered by :

- Mr. Henry John Burgess, admitted 1892. Member of the Council 1927-1940.
- Mr. Alfred Newton Foot, admitted 1904. Member of South African Western Branch 1920-1950.
- Mr. Herbert Philip Gowen, O.B.E., admitted 1901. President East Anglia District Society 1932-1935 and 1947-1949.
- Mr. Arthur Henry Hughes, admitted 1904. Auditor of the Society 1927-1950.
- Mr. Archibald Thomas Keens, admitted 1920. Vice-Chairman London District Society in 1949.
- Mr. Charles Hatfield Tranmer, admitted 1930. Hon. Secretary Hull District Society 1945-1949.
- Mr. Ernest George White, admitted 1921. President Swansea and South-West Wales District Society 1948-1950.

The death on February 5, 1951, of Mr. Alfred Harman Edwards, a member of the Society since 1909 and of the Council since October, 1949, is also recorded with deep regret.

## HONOURS AND AWARDS

The Council congratulates the following members whose names appeared in recent Honours Lists :

### *Knight Bachelor*

Nixon, Edwin Van-der-Vord, C.M.G., Fellow, Melbourne.

### *C.B.E.*

Crosier, Frank Henry, O.B.E., Associate, Esher.

Jones, Charles Edward Irvine, Associate, London.

Larking, Charles Gordon, Associate, Maidstone.

### *O.B.E.*

Gradon, Oswald, Associate, London.

Kent, Arthur William, Associate, Nairobi.

King, Percy Gordon, Associate, Bristol.

Ross, Alexander Lewis, Associate, Edinburgh.

Stafford, Percival Herbert, M.M., Fellow, Newport, Mon.

### *M.B.E.*

White, Ernest George, Associate, Blackpool.

### *I.S.O.*

Bird, Charles Edward Lear, Associate, London.

## EXAMINATIONS

Examinations were held in May and November, 1950, at Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London and Manchester. While in 1950 the number of candidates who presented themselves for the examinations was 13 per cent. higher than in 1949, the percentage of successful candidates was 5 per cent. lower.

The particularly disappointing results of the May, 1950, Final Examination were reviewed by the Council in a statement published in the August, 1950, issue of ACCOUNTANCY. However, the percentage of successes in the November Final Examination showed an appreciable improvement. It may be commented that of the 455 candidates who failed the previous examination, only 181 again presented themselves in November.

Of the unsuccessful Final candidates in 1950, 57 per cent. had been granted exemption from the Intermediate Examination under war service concessions.

The results of the examinations held during the past four years are shown below.

## HONOURS CERTIFICATES

Prizes and Honours Certificates were awarded to the following candidates :

### FINAL EXAMINATION

#### *1st Certificate of Merit*

Morris, David Stanley, London (Prize) May, 1950

Scarfe, Peter, Norwich (Prize)

November, 1950

#### *2nd Certificate of Merit*

Blakemore, Geoffrey, Radcliffe May, 1950

Johnson, Cyril Stanley, London May 1950

Year	FINAL		INTERMEDIATE		PRELIMINARY		TOTAL	
	No. of Candidates	Passed	No. of Candidates	Passed	No. of Candidates	Passed	No. of Candidates	Passed
1947	664	224—34%	400	165—41%	125	45—36%	1,189	434—37%
1948	969	399—41%	763	295—39%	144	59—41%	1,876	753—40%
1949	1,060	484—45%	1,164	583—50%	209	95—45%	2,433	1,162—48%
1950	1,163	435—37%	1,356	651—48%	235	88—37%	2,754	1,174—43%



Tucker, Arthur Edwin, Barnstaple (*Prize*)  
November, 1950

### 3rd Certificate of Merit

Murch, Robert Charles, Harrogate (*Prize*)  
November, 1950

### 4th Certificate of Merit

Daglish, William Edward, Newcastle-upon-Tyne  
November, 1950

### INTERMEDIATE EXAMINATION

#### 1st Place Certificate

Mather, Derek, Liverpool (*Prize*)  
May, 1950

Gibson, Peter John, London (*Prize*)  
November, 1950

#### 2nd Place Certificate

Acharya, Senapur Panduranga, B.COM.,  
Bombay (*Prize*) May, 1950

Marriott, James Alan, London  
November, 1950

#### 3rd Place Certificate

King, Gerald James, Newton Abbot  
(*Prize*) May, 1950

Hedges, Joseph Askew, Canterbury  
November, 1950

#### 4th Place Certificate

Huxley, John, Stalybridge May, 1950

Waudby, Roy, Hull  
November, 1950

#### 5th Place Certificate

Gooch, Alan, Hull May, 1950

Davis, Desmond Frederick, Brighton  
November, 1950

#### 6th Place Certificate

Reeve, Kenneth Charles, London  
May, 1950

Harrison, James Francis, Nottingham  
November, 1950

#### 7th Place Certificate

Cohen, Leslie Harold, London May, 1950

#### 8th Place Certificate

Tovel, Lawrence, London May, 1950

#### 9th Place Certificate

Blackie, Bruce Robert Roper, Seaton  
May, 1950

#### 10th Place Certificate

Evans, Frederick Leonard, Stony Stratford  
May, 1950

#### 11th Place Certificate

Renville, Ronald Richard, Reading  
May, 1950

#### 12th Place Certificate

Peck, Julian Forbes Arbuthnott, Edinburgh  
May, 1950

### PRELIMINARY EXAMINATION

#### 1st Place Certificate

Attwell, Colin Frost, Northampton (*Prize*)  
May, 1950

Shapiro, David Leon, London  
November, 1950

### MEDALS AND PRIZES

The following awards were made by the Council :

The Gold Medal for the 1950 Final Examinations to Peter Scarfe, with Larking and Larking, Norwich.

The Silver Medal for the 1950 Final

Examinations to David Stanley Morris, articulated to Mr. Leonard R. Treen (Martin, Farlow & Co.), London. The Arthur E. Piggott (Manchester) Prize for special merit in Accountancy and Auditing in the 1950 Final Examinations was also awarded to Mr. Morris.

The Henry Morgan Memorial Prize for meritorious work in the group of Accountancy subjects in the 1950 Final Examinations to Arthur Edwin Tucker, with Charles Henry Symons & Co., Barnstaple.

The Sir James Martin Memorial Exhibition in respect of the May, 1950, Intermediate Examination to Kenneth Charles Reeve, articulated to Mr. F. Leslie Duck (Duck, Mansfield & Co.), London; and in respect of the November, 1950, Intermediate Examination to Anthony William Gross, articulated to Mr. F. L. Rouse (F. L. Rouse & Co.), Beaconsfield.

### ARTICLED CLERKS AND BYE-LAW CANDIDATES

During the year 559 articles of clerkship were registered and 804 bye-law candidates were enrolled. The figures for the past three years are :

	Articled Clerks	Bye-law Candidates	Total Candidates enrolled
1948 ..	570	768	1,338
1949 ..	538	771	1,309
1950 ..	559	804	1,363

### ARTICLES OF CLERKSHIP

A booklet, which embodies the Society's regulations governing articles of clerkship and emphasises the important obligations undertaken by both the employer and the articulated clerk, is now issued to each principal prior to the execution of articles.

### EXAMINATION SYLLABUS

The revised Examination Syllabus, which will become operative in November, 1951, was included in the Report for 1949. As announced in the March, 1951, issue of ACCOUNTANCY, the syllabus for the May, 1951, and subsequent Intermediate Examinations has been modified by the elimination of questions relating to Consolidated Accounts.

### PRELIMINARY EXAMINATION EXEMPTION

On the recommendation of the Examination and Membership Committee, the Council has decided that exemption from the Society's Preliminary Examination shall be granted to applicants who hold a General Certificate of Education, or a Scottish Leaving Certificate, or a Senior Grammar School Certificate of Northern Ireland, subject to the following conditions :

#### General Certificate of Education

(a) that the certificate contains a pass at

the ordinary level in English or English Language, Mathematics (not Arithmetic alone), and three other subjects, of which one must be History or Geography ; or

(b) that if either English or Mathematics is taken at the advanced standard the certificate need contain only English or English Language, Mathematics (not Arithmetic alone), and two other subjects.

#### Scottish Leaving Certificate

(a) that the certificate contains a pass in the lower grade in English, Mathematics (not Arithmetic alone), and three other subjects, of which one must be either History or Geography ; or

(b) that if two of the passes are in the higher grade the certificate need contain only English, Mathematics (not Arithmetic alone), and two other subjects.

#### Senior Grammar School Certificate of Northern Ireland

At present a candidate for this examination is required to pass in five subjects at one and the same examination, but as from 1952 he will be required so to pass in six subjects. For exemption from the Society's Preliminary Examination the certificate, both now and after 1952, must include a pass in Mathematics.

### DEFERMENT OF NATIONAL SERVICE FOR PRELIMINARY EXAMINATION

Deferment of national service in order to allow a candidate to sit for the Society's Preliminary Examination is designed to help those who leave school before they can take the prescribed examinations. Deferment is not granted to a candidate who could have taken the examinations while at school. The latest regulations of the Ministry of Labour and National Service make it clear that deferment of national service until the age of 20 for the purpose of taking the Society's Preliminary Examination is normally restricted to a candidate who leaves school before his seventeenth birthday. A candidate leaving school between his seventeenth and eighteenth birthdays can obtain deferment only if he can produce evidence of illness or other reasonable cause for not attaining the required standard of general education. Deferment is not granted to any candidate for the Preliminary Examination if he leaves school after his eighteenth birthday.

### CLASS G AND CLASS Z RESERVISTS

The Council understands that sympathetic consideration will be given to an application for deferment of recall from a Class G or Class Z reservist whose recall would seriously interrupt his studies for the Final Examination.

It is believed that, when considering such an application, the authorities will take into consideration the time available between the completion of the 15 days' training and the date of the examination. It is understood that it is unlikely that deferment will be granted in the case of a recall in May, June or July if the examination is not to take place until November.

#### DINNER AND PRESENTATION TO MR. AND MRS.

##### A. A. GARRETT

A dinner in honour of Mr. and Mrs. Garrett was held in London on the evening of the last Annual General Meeting (May 24, 1950). The President of the Society and 370 members and guests were present to welcome Mr. and Mrs. Garrett on their return from their tour of Australia, New Zealand and South Africa.

To commemorate Mr. Garrett's memorable secretaryship of the Society from 1919 to 1949, a gift of silver and a cheque were presented to Mr. and Mrs. Garrett. Subscriptions had been sent by members in all parts of the world to the fund organised on behalf of the Council by Mr. Edward Baldry.

#### DISTRICT SOCIETIES

The annual conference between representatives of Branches and District Societies and members of the Council was held in London on May 25, 1950.

In the past year some 380 lectures were arranged for members and students in the United Kingdom and the Republic of Ireland; discussion groups and tuition classes were organised in a number of districts to help students in their studies for the Society's examinations.

The Council is most appreciative of the work of Branches and District Societies and is indebted to Honorary Secretaries for their services.

Mr. C. M. Foxon, F.S.A.A., became the Honorary Secretary of the Nottingham, Derby and Lincoln District Society on the resignation of Mr. J. B. Carter, F.S.A.A. Mr. T. W. Dresser, F.S.A.A., resigned from the Honorary Secretaryship of the Yorkshire District Society—an office he had held for no less than 34 years—and was succeeded by Mr. D. McMichael, F.S.A.A. The Council warmly thanks both Mr. Carter and Mr. Dresser for their work on behalf of the Society, its members and students.

Incorporated Accountants everywhere are urged to give full support to the activities organised by local committees.

#### AUSTRALIAN BRANCH

Following Mr. Garrett's tour of Australia and New Zealand, which was recorded in the 1949 Report, liaison with the Australian Branch was maintained by the visit during

1950 of Sir Richard Yeabsley to Melbourne and Sydney. The warm reception and generous hospitality extended to Sir Richard and Lady Yeabsley by members of the Australian Branch, the Commonwealth Institute of Accountants and the other accountancy bodies is keenly appreciated by the Council.

In November, 1950, the President and Council had the pleasure of entertaining Professor Gordon Wood, formerly Dean of the Faculty of Economics and Commerce in the University of Melbourne, when he visited this country on behalf of the Carnegie Corporation to investigate post-graduate schools of business administration.

#### SOUTH AFRICAN BRANCHES

The main activities of the Committees of the South African Branches are reflected in the summary of the 1950 report of these Branches. The Council desires to record its deep appreciation of the work of these Committees and of the welcome and hospitality extended to Mr. and Mrs. Garrett during their tour of South Africa early in 1950.

#### ASHRIDGE AND BALLIOL COURSES

A course devoted to Taxation was held at Ashridge from Friday, June 23, to Tuesday, June 27, 1950, and was attended by 108 members. Addresses were delivered by Mr. Wyn Griffith on "The Relationship between the Inland Revenue and the Profession" and by Mr. F. Heyworth Talbot, K.C., on "Conduct of Appeals." Papers were submitted by Mr. Frank Bower, C.B.E., M.A.—"Taxation of Foreign Income"; Mr. J. S. Heaton, F.S.A.A.—"Profits Tax"; Mr. P. F. Hughes, A.S.A.A.—"Back Duty Cases"; Mr. J. R. Paramour, F.C.A., F.S.A.A.—"Income Tax and Sur-Tax with particular reference to Settlements and Private Companies"; Mr. B. R. Pollott, M.A., A.C.A., A.S.A.A.—"Double Taxation"; Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.—"Income Tax Act, 1945—Capital Allowances." Prints of these papers were sent to all members of the Society in the United Kingdom.

A further course, held at Balliol College, Oxford, from Thursday, September 14, to Tuesday, September 19, 1950, was attended by 119 members. An address was delivered by Mr. Richard A. Witty on "Standards of Professional Life" and a discussion on "Stock Valuation" was led by Mr. Bertram Nelson, Mr. John Ainsworth, and Mr. E. H. Davison, A.C.A. Papers were submitted by Mr. K. W. Bevan, A.C.A.—"The Structure of Industrial Accounts"; Dr. D. J. Bogie, B.COM., C.A.—"Group Accounts"; Mr. Frank Bower, C.B.E., M.A.—"A Perspective of Taxation"; Mr. John B. Braithwaite, Chairman of the Stock Exchange—"Financing Companies

under Present-day Conditions"; Mr. J. Latham, C.B.E., A.C.A.—"Financial and Accounting Problems of Nationalised Industries"; Mr. J. D. Nightingale, A.S.A.A., and Mr. N. Cassleton Elliott, M.A., A.C.A.—"Machine Accounting Systems for the Small Concern"; Mr. John Ryan, C.B.E., M.C.—"What I Expect from the Accountant"; Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.—"Taxation."

The Council records its gratitude to the above and to the Governors and Principal of Ashridge and the Master and Fellows of Balliol College for the facilities accorded to the Society.

#### INCORPORATED ACCOUNTANTS' HALL

For the past two years premises at 12, Milford Lane, Strand, W.C.2, have been used as the temporary headquarters of the Society pending the restoration of Incorporated Accountants' Hall, the completion of which is expected during the summer.

It is regretted that, despite the inadequacy of the accommodation in the restored Hall, the approval of plans for its extension has been withheld for the time being by reason of the national exigencies.

A warm tribute is due to those engaged on the difficult task of restoring Incorporated Accountants' Hall, in particular to Sir Percy Thomas, P.P.R.I.B.A., the Society's Architect.

#### DISCIPLINARY COMMITTEE

During 1950 one member was excluded from the Society under Articles 34 and 35, and two members were censured by the Disciplinary Committee under Article 32.

#### ACCOUNTANTS' JOINT PARLIAMENTARY COMMITTEE

The Accountants' Joint Parliamentary Committee continued its task of examining all parliamentary measures relating to the qualification and status of Auditors.

As a result of representations made in January, 1949, to the Registrar of Friendly Societies, a revised scale of maximum fees for Approved Auditors under the Industrial and Provident Societies Acts and Friendly Societies Acts was introduced with effect from January 1, 1951. The revised scale was published in the June, 1950, issue of ACCOUNTANCY.

A change has also been made in the conditions of appointment of Approved Auditors. Under the revised conditions recently announced, appointments are for an indefinite period, subject to three months' notice of termination. In future, therefore, they will cease—apart from death—only when notice is given by the Treasury or when the Approved Auditor himself gives notice that he wishes to relinquish the appointment.



#### DRAFT PUBLIC ACCOUNTANTS BILL

In his address at the annual meeting on May 24, 1950, the President explained the reasons for the decision of the Council not to proceed further with the draft Public Accountants Bill which had been approved by members of the Society and other sponsoring bodies at extraordinary general meetings in 1946. Since then alternative proposals for the regulation of the profession have been under consideration by the joint committee of the sponsoring bodies. If, as the Council hopes, the present discussions prove successful and agreement is reached between the accountancy bodies and Government departments, detailed proposals will be placed before members of the Society and other sponsoring bodies for their approval.

#### SIXTH INTERNATIONAL CONGRESS ON ACCOUNTING

Preparations for the Sixth International Congress on Accounting, to be held in London during the week commencing June 16, 1952, are now in hand.

As one of the sponsoring bodies, the Society is represented on the Congress Council by Mr. A. Stuart Allen, Mr. C. Percy Barrowcliff, Sir Frederick Alban and Mr. Bertram Nelson. Mr. H. Garton Ash, O.B.E., M.C., President of the Institute of Chartered Accountants in England and Wales, is Chairman of the Congress Council, and Mr. A. Stuart Allen is Vice-Chairman.

#### INLAND REVENUE: EXTRA-STATUTORY CONCESSIONS

In March, 1949, a memorandum regarding extra-statutory concessions and certain other matters was submitted to the Board of Inland Revenue by a Joint Committee of the Institute of Chartered Accountants in England and Wales, the Society, the Scottish Chartered Bodies and the Association of Certified and Corporate Accountants.

In a memorandum submitted by the Society in February, 1949, to the Committee appointed under the chairmanship of Sir Eric Bamford to review the organisation and administrative methods of the Inland Revenue Department, reference was also made to the unsatisfactory means whereby administrative concessions became known to tax-payers and their advisers.

It is, therefore, satisfactory to observe that the ninety-third report of the Board of Inland Revenue contains an appendix giving a list of extra-statutory concessions in operation at the end of 1949, and that additions to, and deletions from, the list are to be published annually in future reports. The list was reproduced in the February, 1951, issue of *ACCOUNTANCY*.

#### TAXATION TREATMENT OF PROVISIONS FOR RETIREMENT

In August, 1950, the Chancellor of the Exchequer appointed a Committee under the chairmanship of Mr. John Millard Tucker, K.C., with the following terms of reference:

1. To review the income tax law relating to superannuation funds and other arrangements, whether contractual or voluntary, for the provision, on retirement or death of persons holding an office or employment, of pensions or other benefits for those persons or their dependants.
2. Generally to review the law governing the treatment for income tax purposes of payments made by, or for the benefit of, individuals with a view to providing for the individual in his retirement or old age, or for his dependants after his death, and the treatment for income tax purposes of sums received by way of such provision.
3. To consider whether any amendment of the law in regard to these matters is necessary or desirable; and, in particular, to consider whether the scope of income tax relief in respect of payments of that nature should be extended and, if so, in what circumstances and subject to what conditions, having special regard to the fact that contributory pensions schemes on the lines of those commonly adopted by industrial concerns are not at present available to all persons holding an office or employment, and are not applicable to an individual carrying on a profession or business.

The views of the Society were submitted in a memorandum drafted by the Taxation Sub-Committee of the Research Committee with the assistance of District Societies and individual members with special taxation experience. The memorandum was published in the March, 1951, issue of *ACCOUNTANCY*.

#### INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE

The Incorporated Accountants' Research Committee was reconstituted during the year, and an Executive Committee was formed under the chairmanship of Mr. Bertram Nelson to co-ordinate the work of the Practice, Taxation and Management Accounting Sub-Committees, of which the respective chairmen are Mr. A. C. Simmonds, F.S.A.A., Mr. James S. Heaton, F.S.A.A., and Mr. P. G. James, B.COM., F.S.A.A.

This reorganisation has resulted in a wider representation of District Societies on the Committee, and the Council hopes that an increasing number of members will voluntarily undertake research work in their respective localities under the general guidance of the Committee.

The Executive Committee was responsible for the Taxation Course held at Ashridge in June, 1950, and for the publica-

tion of papers presented. In collaboration with the Institute of Municipal Treasurers and Accountants and Exeter University College, research has continued on national comparisons and other aspects of local government finances. The Executive Committee has also continued to co-operate with the Boot and Shoe Research Association and the Federation of Boot and Shoe Manufacturers in the investigations, which were initiated by the Leicester District Society, into costing methods in the boot and shoe industry.

As already stated, the Taxation Sub-Committee prepared the Society's memorandum on retirement benefits for submission to the Millard Tucker Committee. It is now devoting its attention to the compilation of evidence for the Royal Commission on Taxation.

A series of Practice Notes for the use of members is in preparation by the Practice Sub-Committee, and arrangements for publication will be announced in *ACCOUNTANCY*. Other subjects at present receiving the attention of the Sub-Committee include the technique of auditing, the valuation of goodwill and accounting ratios.

As announced in the November, 1950, issue of *ACCOUNTANCY*, the Management Sub-Committee, formed after a meeting in London of members in industry and commerce, has begun work on the requirements of management from the financial and accounting function.

By courtesy of Sir Hilary Jenkinson, Deputy Keeper of the Public Record Office, an interesting exhibition of accounting records from medieval times was arranged in December, 1950, for members of the Research Committee.

#### INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE PRIZE SCHEME

The Committee awarded two prizes of fifty guineas each to Mr. W. E. Spruce, A.S.A.A., London, and Mr. W. Cowley, A.S.A.A., London, for their respective theses on "The Integration of Standard and Current Cost for Profit Measurement" and "A Study of Government Accounting Reform." For a paper on "Some Factors Affecting the Economy and Efficiency of European Agricultural Methods in Southern Rhodesia," Mr. A. J. L. Lewis, A.S.A.A., was highly commended.

#### ACCOUNTING RESEARCH

Under the joint editorship of Mr. F. Sewell Bray and Mr. L. T. Little, *Accounting Research* has so increased its scope and influence that in future the journal will be published quarterly instead of half-yearly. The 1950 issues contained the following articles:

"Scientific Method in Auditing," by Lawrence Vance.

"Consolidated Accounts and their Similarity to Partnership Accounts," by B. J. S. Wimble.

"Accounting and Taxation in Sweden in Relation to the Problem of Inflationary Profits," by Per V. A. Hanner.

"The Exchequer Accounts," by Harry Norris.

"Notes on Accounting History," by Mary E. Murphy.

"The Effects of Local Government Act, 1948, and other recent Legislation on the Finances of Local Authorities," by a Research Working Party.

"Undistributed Profits as a Source of Company Finance," by R. W. Moon.

"The Use of Sampling Methods in National Income Statistics and Social Accounting," by Richard Stone, J. E. G. Utting and J. Durbin.

"The Classification of Assets," by A. A. Fitzgerald.

"American Experience in Personal Testing for Accounting Work," by Harold Caffyn and Arthur E. Traxler.

"Replacement Cost Depreciation," by A. R. Prest.

"Executorship Accounting Reconsidered," by F. Sewell Bray and Thomas Kenny.

"Direct Taxation and the Inflationary and Deflationary Effects of Fiscal Policy," by L. T. Little.

*Accounting Research* (price 7s. 6d. per issue or 25s. per volume) is sponsored by the Research Committee and is published by the Cambridge University Press.

#### "ACCOUNTANCY"

ACCOUNTANCY continues to make satisfactory progress. There is evidence that the journal is of increasing value to members of the profession, whether in practice, in industry or in Government service, and to a widening circle of other interests. The circulation figures showed an expansion of 13 per cent. in 1949, and of a further 15 per cent. in 1950. This progressive expansion occurred despite the advance in the subscription rate from 12s. 6d. to 17s. 6d. per annum at the beginning of 1950.

#### PREPARATION OF MEMORANDA AND ARTICLES OF ASSOCIATION

The Council of the Society of Incorporated Accountants has been in correspondence with the Law Society with reference to the preparation of memoranda and articles of association for companies. The Council is advised that a member of the Society who prepared a memorandum and articles of association would not, by so doing, be infringing the law, but the Council is nevertheless of opinion that a member should not draft or settle the documents in

final form, any suggestion he makes being with a view to assisting the legal advisers responsible for putting them into legal form.

#### ANGLO-AMERICAN COUNCIL ON PRODUCTIVITY

During 1950 an accounting team—under the auspices of the Anglo-American Council on Productivity—visited America to study works accounting and cost control methods. The Society nominated Mr. G. A. Culverwell, A.S.A.A., as a member and contributed towards the expenses of the team.

The report of the team, entitled "Management Accounting," was published in November, 1950, and attracted wide attention. Since their return members of the team have addressed meetings of the Society and other bodies in various parts of the country.

#### APPOINTMENTS

During the past year, members of the Society have received the following appointments:

Mr. A. Dunstan Adams, O.B.E., M.C., T.D., Nairobi: President of the Association of Accountants in East Africa and Honorary Colonel of the Kenya Regiment.

Mr. W. Adams, Wolverhampton: President of the Institute of Municipal Treasurers and Accountants.

Sir Frederick Alban, C.B.E., Cardiff: Chairman of the Welsh Regional Hospital Board (reappointed for three years); member of the Arbitration Tribunal under the Iron and Steel Act, 1949.

Mr. Oliver Greenwood, London: Mayor of Barnes.

Mr. V. J. H. Harris, Northampton: President of the Northampton and County Chamber of Commerce.

Mr. Thomas Haworth, London: member of the Peterlee Development Corporation.

Sir John Imrie, C.B.E., Edinburgh: member of the Committee of Inquiry into Anglo-Scottish Statistics.

Mr. A. E. Middleton, London: member of the Hops Marketing Board.

Mr. F. E. Price, Newport, Mon.: member (part-time) of the Area Gas Board for Wales.

Mr. Alton Ward, Bradford: Lord Mayor of Bradford.

Sir Richard Yeabsley, C.B.E., London: member of two committees appointed by the Board of Trade to consider and advise on the supply position of utility cotton goods and utility rayon goods respectively; reappointed as an independent member of the Clothing Industry Development Council.

#### COUNCIL

The following members of the Council retire and offer themselves for re-election under Article 49: Mr. John Ainsworth, M.B.E., Sir Frederick Alban, C.B.E., Mr. Albert Stuart Allen, Mr. Charles Percival Barrowcliff, Mr. Robert Bell, Mr. Henry Brown, O.B.E., Mr. Cecil Aubrey Gist Hewson, Mr. Frederick Arthur Prior, Mr. Henry Smith, Mr. Joseph Stephenson, O.B.E.

Mr. Robert Edward Starkie and Mr. Richard Alfred Witty also retire under the provisions of Article 49, whilst Mr. Edward Cassleton Elliott and Mr. Arthur Herbert Walkey have to retire under the provisions of Section 185 of the Companies Act, 1948. Special notice has been given to the Society in respect of each of these four members of the intention to propose at the annual general meeting on May 23, 1951, that, notwithstanding his age, he be re-elected to hold office in accordance with the Articles of Association of the Society.

The appointments of Mr. James Paterson and Mr. Peter Grant Scott Ritchie, who hold office under Article 40 (a) of the Society's Articles of Association as members of the Council elected from among the members of the Scottish Institute of Accountants (being the Scottish Branch of the Society), are also subject to the provisions of Section 185 of the Companies Act, 1948, and similar special notice has been given of the intention to propose the re-election of each of these two members at the annual general meeting on May 23, 1951.

The requisite notice required to be given by the Society in respect of all six Council members concerned will be found in the notice of the annual general meeting.

In accordance with the provisions of Article 48, the Council appointed Mr. Hedley John Bicker to fill the vacancy on the Council caused by the death of Mr. A. H. Edwards. A formal resolution for the election of Mr. Bicker will be submitted to members at the annual general meeting in May, 1951.

#### ASSISTANT SECRETARY

In July, 1950, Mr. James Darrell Nightingill, A.S.A.A., was appointed Assistant Secretary of the Society.

#### AUDITORS

In accordance with Article 89, the Council appointed Mr. James Atkinson Allen, Fellow, London, to fill the vacancy caused by the death of Mr. Arthur H. Hughes. Mr. Allen and Mr. Stanley I. Wallis have notified that they are willing to continue in office as Auditors.

#### ACCOUNTS

The audited accounts of the Society for 1950 are annexed.



# BALANCE SHEET, as at December 31, 1950

1949	£	£
<b>ACCUMULATED FUNDS—</b>		
100,000	Balance at December 31, 1949 ..	100,000
<b>CONTRIBUTIONS TOWARDS RESTORATION OF HALL—</b>		
609	Balance at December 31, 1949 .. ..	609
<b>INCOME AND EXPENDITURE ACCOUNT—</b>		
5,596	Balance .. .. .	8,489
106,205		109,098
30,000	5 PER CENT. MORTGAGE DEBENTURES ..	30,000
<b>WAR DAMAGE COMPENSATION SUSPENSE ACCOUNT—</b>		
Amount received in respect of Chattels, including Interest .. .. .		
—		3,763
<b>PROVISIONS—</b>		
684	Research Committee .. .. .	310
—	International Congress on Accounting, 1952 .. .. .	1,500
		1,810
<b>CURRENT LIABILITIES—</b>		
13,817	Creditors and Accruals .. .. .	11,186
387	Income Tax .. .. .	58
1,565	Subscriptions and Fees received in Advance .. .. .	2,771
		14,015
<b>NOTE:</b>		
<i>Contracts have been entered into and expenditure authorised amounting to approximately £13,200 in connection with the rebuilding and re-equipment of the Hall which will not be recoverable under the War Damage Acts.</i>		
152,658		158,686
<b>SPECIAL PRIZE TRUST FUNDS—</b>		
	Henry Morgan Memorial .. .. .	525
	Arthur E. Piggott (Manchester) Memorial .. .. .	538
1,057		1,063
<b>A. STUART ALLEN,</b>		
<i>President.</i>		
<b>E. CASSLETON ELLIOTT,</b>		
<i>Chairman of the Finance Committee.</i>		
<i>April, 1951.</i>		
£153,715		£159,749

1949	£	£
<b>FIXED ASSETS—</b>		
<b>FREEHOLD PROPERTY</b>		
	Incorporated Accountants' Hall, at cost .. .. .	100,954
	Less Amount written off .. .. .	954
100,000		100,000
<b>FURNITURE AND FITTINGS</b>		
	Book Value at December 31, 1931, with additions at cost since that date .. .. .	8,848
	Less Accumulated Depreciation .. .. .	4,314
3,507		4,534
<b>LIBRARY</b>		
300	Book Value at December 31, 1947 .. .. .	300
103,807		104,834
<b>INVESTMENTS—</b>		
	Government Stocks at cost (Market Value at December 31, 1950, £17,732) .. .. .	16,855
	Mortgage Debentures of the Society (Gift) .. .. .	300
17,155		17,155
<b>CURRENT ASSETS—</b>		
	Stock of Binders at cost .. .. .	404
3,495	Debtors and Prepayments .. .. .	2,129
4,561	War Damage Repairs : Balance Recoverable at date .. .. .	17,658
<b>Cash at Banks and in hand :</b>		
	Deposit Account .. .. .	13,000
	Current Accounts .. .. .	3,480
	Cash in hand .. .. .	26
23,640		16,506
		36,697
152,658		158,686
<b>SPECIAL PRIZE TRUST FUNDS—</b>		
<b>Henry Morgan Memorial—</b>		
	£500 2½ per cent. Treasury Stock .. .. .	500
	Arthur E. Piggott (Manchester) Memorial—	
	£500 3 per cent. Savings Bonds 1965-75 .. .. .	500
	Cash at Bank .. .. .	63
1,057		1,063
£153,715		£159,749

## Appendix

### SUMMARY OF REPORT OF SOUTH AFRICAN BRANCHES

Membership	Western	Northern	Eastern	Total
As at Dec. 31, 1948 ..	127	284	71	482
As at Dec. 31, 1949 ..	136	309	75	520
Add				
New Members ..	8	30	5	43
Transfers from other Branches ..	4	17	2	23
Readmissions ..	—	1	—	1
	148	357	82	587
Defunct				
Resignations ..	1	—	—	1
Deaths ..	1	—	—	1
Other causes ..	—	2	—	2
Transfers to other Branches ..	5	5	3	13
	7	7	3	17
Number on Roll at Dec. 31, 1950 ..	141	350	79	570
Associates ..	105	277	53	435
Fellows ..	36	73	26	135
Members in practice	69	182	50	301
Members not in practice	72	168	29	269

## Articled Clerks

A total of 95 articles of clerkship were registered during the year. The number of articled clerks on the branch registers at December 31, 1950, was as follows :

Western ..	24
Northern ..	192
Eastern ..	49
	265

## Appointments

Members of the Society have received the following appointments :

A. R. Butcher, President, The Natal Society of Accountants.  
A. Dickson, Chairman, South African Accountants' Societies General Examining Board.  
R. E. Grievson, M.B.E., President, The Transvaal Society of Accountants.  
Lewis Harrison, President, The Society of Accountants and Auditors in the Orange Free State.  
J. C. Macintosh, Chairman, Joint Council of

the Societies of Chartered Accountants of South Africa.

K. L. Smith, M.A., Vice-Chairman, South African Accountants' Societies General Examining Board.

## Advisory Council

Meetings of the Advisory Council took place in Johannesburg in January and November, 1950.

## Accountancy Bill

The most important matter affecting accountants in South Africa during the last year has been the Draft Bill to provide for the registration of public accountants and auditors, the training of articled clerks and the methods of conducting examinations.

In 1947, a conference at Bloemfontein attended by representatives of the four South African Chartered Societies, the South African Branch of the Association of Certified and Corporate Accountants, the Institute of Accountants of South Africa, Limited, and the Association of Practising Accountants of South Africa, produced a draft Bill, but this

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A MEETING of the Branch of the Local Council of Mr. P. A. A letter stating that the Local Council had decided to resign. The Council was with regard to the appreciation and payment of the new appointment. The report of the matters sitting and the work of

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was not acceptable to the Treasury.

At the end of 1949, the Treasury itself put forward a draft Bill which was not acceptable to the profession in several respects. The Advisory Council of the Society met in Johannesburg in January, 1950, and formulated objections to the Treasury Bill.

In May, 1950, representatives of the profession met a Treasury Committee in Cape Town and as a result of their discussions an agreed measure was submitted to the Government's legal advisers. The resultant draft Bill, which was issued in October, was again found to contain provisions which necessitated further consultation.

It is satisfactory to record that the Bill, as finally amended, is likely to come before Parliament during the current session.

If the Bill becomes law in its present form, the profession in the Union will be governed by the Public Accountants' and Auditors' Board composed of Government nominees and representatives of the profession in the Union. This Board will register all articulated clerks and be responsible for the examinations. Any person who was in practice in the Union on January 1, 1950, although not a member of one of the recognised bodies, may apply for registration.

## DISTRICT SOCIETIES AND BRANCHES

### SCOTTISH BRANCH

A MEETING OF THE COUNCIL OF THE SCOTTISH Branch was held in Glasgow on April 6. Mr. P. G. S. Ritchie presided.

A letter was read from Sir John D. Imrie stating that as he was going to Trinidad as Local Government Commissioner he wished to resign from the Council of the Branch. The Council received Sir John's resignation with regret and placed on record their high appreciation of his services to the Society and particularly to the Scottish Branch, and their sincere wishes for success in his new appointment.

The secretary, Mr. James Paterson, reported on a number of membership matters, including the number of candidates sitting the May Examinations in Glasgow, and the assistant secretary reported on the work of the Glasgow Students' Society.

### ANNUAL MEETING

The seventy-first annual meeting of the Scottish Institute of Accountants, the Scottish Branch of the Society, was held in Glasgow on April 6. Mr. Peter G. S. Ritchie, President, presided over a good attendance of members.

In moving the adoption of the report, Mr. Ritchie said the Council learned with pleasure of the appointment of Sir John Imrie as a member of the Court of Inquiry on Anglo-Scottish Statistics, and subsequently as Local Government Commissioner for Trinidad. Reference was

made to the honour conferred on Mr. Festus Moffat, O.B.E., another member of Council, on his appointment as Honorary Sheriff-Substitute at Falkirk, and to the promotion of Mr. A. Lewis Ross, M.B.E., to O.B.E.

Helpful work was being done in the Students' Society under the chairmanship of Mr. Robert Fraser, with the assistance of Mr. Ian Hewat, hon. secretary, Mr. J. Hawthorne Paterson and others.

Mr. James A. Scott, O.B.E., seconded the motion and after discussion it was unanimously adopted.

The retiring members of Council—Mr. Robert Fraser and Mr. John S. Gavin, Glasgow; Mr. James A. Scott, O.B.E., Kilmarnock; and Mr. D. R. Bishop, Aberdeen—were re-elected on the motion of the president, seconded by Mr. E. H. Harris. Mr. Adam B. Brackenridge, Divisional Financial Officer, Scottish Gas Board, Glasgow, was elected to fill a vacancy on the Council.

The honorary auditors, Mr. James A. Mowat and Mr. John Aitchison, were re-elected.

The president, Mr. P. G. S. Ritchie, and the secretary, Mr. James Paterson, were re-elected representatives of the Scottish Branch on the Council of the Society.

A special meeting of the members was held prior to the annual meeting to alter the constitution of the Scottish Institute to permit any member to be elected to the Council. Election had previously been restricted to Fellows.

### STUDENTS' SOCIETY OF LONDON AND DISTRICT

#### SIXTIETH ANNUAL GENERAL MEETING

THE SIXTIETH ANNUAL GENERAL MEETING OF the Incorporated Accountants' Students' Society of London and District was held on April 2. Mr. F. R. Witty, F.S.A.A., the President of the Society, was in the chair.

Mr. Witty said that he had hoped on that occasion to have the pleasure of addressing them in their own Incorporated Accountants' Hall. That had not been possible, but the Hall would be ready for occupation in May, and they hoped to arrange some social event at which students would have the opportunity of inspecting the building. They would also be able to make full use of the facilities of the library.

Incorporated Accountants' Hall, continued the President, was inevitably linked very strongly in his memory with their former Secretary, Mr. James C. Fay, the report of whose death earlier in the year was heard with great regret by all who knew him. Mr. Fay was Secretary of the Students' Society for 25 years. But he was more than that: he was, indeed, a real friend and adviser to all students. Those who were in close contact with him would remember him

for his tireless energy and unceasing devotion to the Students' Society, for his help and assistance, so willingly given whenever needed, and for the way in which, by the charm of his personality, he was able to persuade the most outstanding and interesting lecturers to talk to them.

In addition to lectures touching directly on examination subjects, they had had several addresses dealing with the broader aspects of the profession. While passing the examinations was a necessary preliminary, it had not to be forgotten that the function of the Students' Society was to make a man fit to take his place in professional life. He felt strongly that that underlying principle must never be overlooked. Indeed, he would go further and say that the passing of the Final Examination should be looked upon as but the start of a professional accountant's career. For that reason he earnestly advised them all to remain members of the Students' Society on qualifying. They would find membership of great value not only for keeping abreast of current legislation on taxation and other matters but also for continuing the broadening of that outlook on professional matters which had always made them proud to call themselves Incorporated Accountants.

Apart from the spring and autumn lectures, pre-examination courses were held, mainly intended as revision lectures for students about to take the examinations. In April of last year their first residential course was held at Ashridge. Those who attended derived great benefit and at the same time found that they had enjoyed a week of intensive study.

One of the greatest benefits of this course was the opportunity for the informal discussion of problems, both with the lecturers and with other students. He was sure they would find their task easier if small groups were formed for discussing difficulties encountered in the course of their studies, whether those groups were among the staff at the office or in their home localities. If they could persuade a qualified member to find time to join such a group, so much the better. He would not know all the answers, but he would certainly learn a lot, and his practical experience would undoubtedly be of assistance to them.

In the autumn a non-residential course was held at King's College. The success of the two courses was due in a very large measure to their energetic Secretary, Mr. Evan-Jones, who had devoted much time to the arrangements.

During the year a second branch of the Society was established at Southend-on-Sea, where it was his pleasure to attend the inaugural meeting. Both the Oxford and the Southend Branches had shown great keenness in arranging lectures in their own



districts. It had long been clear to the committee that, due to the very extended area covered by the London district, it was impossible for many students to attend lectures in London. They would like to see other branches established in the more remote regions, and he could promise every assistance to such an undertaking.

It was with great regret that the committee accepted during the year the resignation of Mr. S. T. Morris from the committee after very many years of active service to the Students' Society. Mr. Morris had been elected to the committee of the Southend Branch, which was in his home area, and he trusted that they would have the benefit of his experience and guidance for many years to come. The thanks of the committee of the London Students' Society were recorded in the Report.

They were pleased and, indeed, honoured to welcome Mr. A. A. Garrett as Treasurer of the Students' Society in succession to Mr. William Strachan. (Hear, hear.) Mr. Garrett had for many years taken a great interest in the Students' Society, in which he had held the office of Secretary and of President in addition to being a member of the committee for a very long period. He could assure them that the finances of the Students' Society were in safe hands, under the control of Mr. Garrett.

Mr. Witty concluded his address by recording his thanks to the members of the staff of the parent Society for the hard and efficient work they had put in on behalf of the Students' Society during the past year, under what he could describe only as the most difficult conditions. The committee, who had seen the cramped and inconvenient quarters at Milford Lane which had had to serve as the temporary offices of the parent Society, could have nothing but admiration for the way in which those difficulties had been overcome. Especially were their thanks due to the enthusiasm and unbounded energy of their Secretary, Mr. Evan-Jones (hear, hear), whom he asked to convey, on their behalf, their very warm appreciation to his assistants. (Applause.)

The Report and Accounts for the year ended December 31, 1950, were adopted unanimously.

The President announced that for the ensuing year the committee had unanimously elected Mr. J. A. Allen, F.S.A.A., as President and Mr. G. F. D. Rice, A.S.A.A., as Vice-President.

After the election of Mr. J. V. Wilson as a member of the committee, the re-election of retiring committee members and Honorary Auditors, and the presentation of students' prizes, the meeting concluded with a cordial vote of thanks to the President, Mr. F. R. Witty.

## DEVON AND CORNWALL

AT A COMMITTEE MEETING HELD ON MAY 11 the following officers were elected: President, Mr. K. E. C. Budge; Vice-President and Treasurer, Mr. S. G. T. Holmes. Mr. P. D. Pascho was re-elected Honorary Secretary.

A vote of thanks was accorded to Mr. W. R. Frost, the retiring President.

## ANNUAL REPORT

The Committee has pleasure in reporting an active and successful programme of activities. The usual lecture programme was held at Plymouth and also at Exeter and Truro. Attendances at lectures were normally good. The thanks of the Committee are due to all the lecturers.

The library scheme is now in full working and by postal arrangements the advantages are available to all members and students. The gratitude of the Society is due to the Librarian of the City of Plymouth for his administration of the scheme.

Ten students are congratulated on passing the Final Examination during the year; the Second Certificate of Merit and Second Prize were awarded to A. E. Tucker. Sixteen were successful in the Intermediate.

During the year Mr. F. R. Balme (Truro) and Mr. W. E. Reynolds (Newton Abbot) have been good enough to join the Committee. The annual meeting will be asked to confirm their appointment.

## MANCHESTER

A STUDENTS' RESIDENTIAL REFRESHER COURSE will be held at Hulme Hall, Manchester, from September 21 to 24, 1951. Further details may be obtained from the Honorary Secretary, Mr. C. Yates Lloyd, F.S.A.A., 2, Cooper Street, Manchester, 2. Students from any District Society are welcome.

## NEWCASTLE-UPON-TYNE

THE THIRD ANNUAL STUDENTS' COURSE WAS held in University College, Durham, from April 13 to 16, when the success of previous years was repeated. Mr. H. S. Parkin, President of the District Society, presided.

At dinner on the Friday evening the Rev. J. Wallis, Chaplain of the College, welcomed members of the course in the unavoidable absence of the Master. He thought that the Incorporated Accountants' Society had now joined the ranks of the "Old Castle Men."

Mr. C. P. Barrowcliff, Vice-President of the parent Society, who is a member of the District Society Committee, also spoke to the students and gave them advice on examinations and their future careers as Incorporated Accountants.

The lecturers were Mr. P. E. Harris, A.S.A.A., Mr. R. Glynne Williams, F.C.A., F.T.I.L., Mr. R. W. Moon, B.LITT., A.C.A., and Mr. E. E. Watkins, M.A. The students

spent a strenuous week-end, as the programme included eight lectures for Intermediate candidates and eight lectures for Final candidates. Mr. R. Glynne Williams gave a talk on hints for examinations, which was followed by a general discussion.

## BRANCHES AND DISTRICT SOCIETIES CONFERENCE

REPRESENTATIVES OF BRANCHES AND District Societies met members of the Council in a conference held on May 24.

A list of those present will be included in our next issue.

## EVENTS OF THE MONTH

### JUNE 8

*Manchester*: Annual general meeting of the Manchester and District Society. Incorporated Accountants' Hall, Deansgate, Manchester, at 6.30 p.m. High tea in the Old Rectory Club at 5.45 p.m.

### JUNE 13 TO 16

*Dublin*: Incorporated Accountants' Conference.

### JUNE 26

*London*: Annual general meeting of the London and District Society. Incorporated Accountants' Hall, at 5 p.m.

## INCORPORATED ACCOUNTANTS' BENEVOLENT FUND

### FIFTY-EIGHTH ANNUAL REPORT OF THE TRUSTEES

THE TRUSTEES HAVE PLEASURE IN PRESENTING the reports and accounts for the year ended December 31, 1950.

The revenue of the Fund at £3,188 shows a decrease of £135 as compared with that for 1949, largely due to the reduction in the interest received on the investments now held. Life subscriptions and donations, which under the rules are added to capital, amounted to £401 in 1950, against £398 in 1949. In addition, the following legacies were bequeathed to the Fund:

T. C. Fitton Will Trust, £105;

The estate of the late Mr. C. F. George, F.S.A.A., £75;

The estate of the late Mr. C. Hewetson Nelson, F.S.A.A., £50.

The expenses of the Fund were limited to printing and postages.

The Trustees have endeavoured to deal with the cases before them as generously as

possible to meet the rising cost of living. Grants aggregating £3,015 were distributed to 36 beneficiaries during the year under review as compared with £2,432 in 31 cases during 1949.

The cordial thanks of the Trustees are extended to local honorary secretaries for their co-operation, and to all contributors, including the Society's South African Committees and the Incorporated Accountants' Lodge, for their continued support.

In August, 1950, members of the New Zealand Society of Accountants sent food parcels to beneficiaries of the Fund. The Trustees record their gratitude for these generous gifts, which gave much pleasure to the recipients.

The Trustees record with deep regret the death of Mr. Henry John Burgess, a Vice-President of the Fund and Chairman of the

Trustees from 1931 to 1943, and of Mr. Arthur Henry Hughes, who since 1947 was Honorary Auditor of the Fund.

Mr. James Atkinson Allen, Incorporated Accountant, London, who was appointed by the Trustees to fill the vacancy caused by the death of Mr. Arthur H. Hughes, has notified that he is willing to continue in office as honorary auditor.

# INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1950

1949		£	1949		£
82	Printing, Postages and Cheques .. .. .	69	1,970	Subscriptions .. .. .	1,984
1,432	Grants .. .. .	3,015	260	Refund of Tax on Covenanted Subscriptions ..	258
	Balance, being surplus for year carried to Balance Sheet .. .. .	104	1,093	Dividends on Investments (including Tax recovered) and Bank Interest .. .. .	946
£3,323		£3,188	£3,323		£3,188

## BALANCE SHEET, DECEMBER 31, 1950

1949		£	1949		£
24,365	<b>CAPITAL ACCOUNT—</b>		13	<b>CASH AT BANK .. .. .</b>	480
	Balance at December 31, 1949 .. .. .	23,232		<b>INVESTMENTS (at cost)—</b>	
42	<b>Add—</b>			£20,000 2½ per cent. Treasury Stock, 1975 or after .. .. .	16,505
296	Life Subscriptions .. .. .	63		£5,000 3 per cent. London County Consolidated Stock, 1920 .. .. .	4,846
—	Donations .. .. .	338		£1,000 2½ per cent. London County Consolidated Stock .. .. .	803
2,220	Legacies .. .. .	230		£1,000 3 per cent. Savings Bonds, 1960-70 .. .. .	1,000
809	Surplus on Realisation of Investments	—		£2,000 3 per cent. Defence Bonds ..	2,000
	Balance from Income and Expenditure Account, 1950 .. .. .	104		£500 2½ per cent. Defence Bonds ..	500
27,732		23,967		£175 5 per cent. Society of Incorporated Accountants Debentures (Gifts) ..	175
4,500	<b>Less—</b>			Post Office Savings Bank—Deposit ..	1,368
	Transferred to Investment Depreciation Reserve Account .. .. .	—		London Trustee Savings Bank—Deposit ..	218
23,232		23,967	27,376		27,415
4,500	<b>RESERVE ACCOUNT—</b>			<b>SIR JAMES MARTIN MEMORIAL FUND—</b>	
3,663	Investment Depreciation Reserve .. ..	4,500		£1,757 17s. 3d. 2½ per cent. Annuities ..	1,431
	<b>SIR JAMES MARTIN MEMORIAL FUND—</b>			£1,500 2½ per cent. Consolidated Stock ..	1,266
472	Balance at December 31, 1949 .. .. .	3,663		£1,000 2½ per cent. Treasury Stock, 1975 or after .. .. .	966
51	<b>EDITH SENDELL FUND—</b>		3,663		3,663
	Balance at December 31, 1949 .. .. .	472		<b>EDITH SENDELL FUND—</b>	
	<b>SUNDRY CREDITORS .. .. .</b>	85		£582 os. 1d. 2½ per cent. Treasury Stock, 1975 or after .. .. .	472
				(Market value of all Investments at December 31, 1950, £27,653.)	
£31,918		£32,687		<b>SUNDRY DEBTOR .. .. .</b>	1
				<b>COMMISSIONERS OF INLAND REVENUE FOR REFUND OF INCOME TAX .. .. .</b>	656
			394		656
			£31,918		£32,687

PERCY TOOTHILL,  
Chairman of Trustees.

I have examined the above accounts together with the books and vouchers and find the same to be correctly stated. I have also verified the securities of the Fund.

JAMES A. ALLEN,  
Incorporated Accountant,  
Hon. Auditor.

April 18, 1951.



## PERSONAL NOTES

The Commonwealth Institute of Accountants, Australia, have sent to Mr. F. Sewell Bray, F.C.A., F.S.A.A. (member of the Council of the Society of Incorporated Accountants), a landscape painting by Mr. James R. Jackson, the well-known Australian artist, in appreciation of the lectures which Mr. Bray gave in the Dominion in 1949.

Mr. Vernon W. Grosvenor, LL.B., J.P., F.S.A.A., has been appointed by the Minister of Health to be Chairman of the Birmingham Regional Hospital Board. Mr. Grosvenor is an original member of the Board and has been Chairman of the Finance Committee from its inception.

Mr. W. G. J. Fairbairn, A.S.A.A., has been appointed Professor of Accounting and Auditing in the University of Natal.

Mr. Alexander Critchley, F.S.A.A., Liverpool, has amalgamated his practice with that of Messrs. Bidston, Ball & Co. The combined practice will be conducted under the style of Bidston, Ball & Critchley at 93, The Albany, Old Hall Street, Liverpool, 3, and at Walton, Liverpool, 4.

At the recent municipal elections Mr. D. R. Matheson, LL.B., F.S.A.A., Edinburgh, was re-elected without opposition for the Newington ward of that city.

Mr. John F. Roberts, A.S.A.A., has taken up an appointment with the North Western Gas Board as chief of internal audit staff for the Preston, Fylde, Blackburn, Burnley, Lancaster, Kendal and Furness groups.

Messrs. Milton, Murrells & Co., Incorporated Accountants, announce that their partnership has been dissolved by mutual consent. Mr. Wilfrid G. Milton, F.S.A.A., will continue the practice under the same firm name at 12, John Street, London, W.C.1, and at Pinner, but the Tunbridge Wells office has been disposed of. Mr. F. S. B. Murrells, A.S.A.A., has taken a full-time commercial appointment.

Messrs. W. Murray Smith & Berend, Incorporated Accountants and Chartered Accountants (S.A.), Durban, have admitted to partnership Mr. M. J. Noyce, A.S.A.A. Mr. A. H. Berend, F.S.A.A., has resigned from the firm owing to increasing demands upon his time by industrial affairs. The firm name has been changed to Murray Smith, Berend & Noyce.

Mr. F. W. Harvey, A.S.A.A., has been appointed Accountant to the Penang Harbour Board.

Mr. Charles E. Hale, A.S.A.A., has been appointed financial director and secretary to Henry Quennell, Ltd., Warrington.

Mr. D. Barlow, A.C.A., A.S.A.A., has commenced public practice under the style of D. Barlow & Co., at 28, Brandon Road, New Eltham, London, S.E.9.

Mr. C. R. Wolfenden, A.S.A.A., has been appointed Finance Officer to the Warrington and District Hospital Management Committee.

Mr. C. Van Wtberghe, Incorporated Accountant, has commenced public practice at 16, Corporation Street, Halifax.

Mr. H. Gordon, A.S.A.A., has acquired the practice hitherto carried on by Mr. A. F. Roberts, A.S.A.A. Mr. Gordon is practising under the style of A. F. Roberts & Co., Incorporated Accountants, at 1, Redland Park, Bristol, 6.

Messrs. John Gordon, Harrison, Taylor and Co., Chartered Accountants, Leeds, announce that Mr. R. W. Carr, A.C.A., Mr. Maurice Myers, A.C.A., A.S.A.A., Mr. J. E. Scheerer, A.C.A., and Mr. L. Tempest, A.C.A., senior members of their staff, all of whom served their articles with the firm, have been admitted as partners.

Mr. Joshua Whalley, A.S.A.A., has been appointed Accountant to Saguenay Terminals, Ltd., Montreal.

Messrs. Festus Moffat & Co., Incorporated Accountants, Falkirk, have admitted as a partner Mr. David F. Moffat, B.COM., C.A., A.S.A.A., son of the senior partner, Mr. Festus Moffat, O.B.E., J.P., F.S.A.A.

Messrs. Singleton, Fabian & Co., Chartered Accountants, London, regret to announce that Mr. J. P. Tilley, F.C.A., has retired after 32 years as a partner.

## REMOVALS

Mr. A. H. Wintle, Incorporated Accountant, announces that his practice has been transferred to 1-3, Duke Street, Reading.

Messrs. Evans, Davies & Co. have removed to 36, Dover Street, London, W.1. Telephone: Mayfair 4766.

Messrs. H. W. Pratt, Pollard & Co., Incorporated Accountants, have removed their offices to 41, Oxford Street, Wellingborough.

Mr. H. F. J. Cadwallader, Incorporated Accountant, has removed to 27, Severn Street, Welshpool, Mont. He has also opened an office in Bridge Street, Llanfyllin, Montgomeryshire.

Messrs. Metcalfe Collier, Hayward & Co. announce that their address is now 199, Piccadilly, London, W.1.

Messrs. Goldby, Panchand & Webber have removed to 4th Floor, Standard Bank Chambers, 88, Commissioner Street, Johannesburg.

Messrs. Cockshaw & Birkbeck have moved their offices to 8, Upper King Street, Leicester.

Mr. Allan C. Macreath has removed to 121, West Regent Street, Glasgow, C.2. He is now practising under the firm name of Allan C. Macreath & Co., Chartered Accountants.

Messrs. Kingscott, Dix & Co., Incorporated Accountants, advise that their address is now 10, Parliament Street, Gloucester.

## OBITUARY

### ERNEST THURSFIELD BROWN

We record with regret that Mr. E. T. Brown, F.S.A.A., senior partner in Messrs. E. T. Brown & Co., Incorporated Accountants, Wolverhampton, died on April 19, at the age of 82. Mr. Brown had been in practice as an Incorporated Accountant in Wolverhampton since his admission to the Society in 1902. He was a Past-President of the Birmingham and District Society, in which he retained office as a Vice-President.

Mr. Brown was a member from 1905 to 1914 of Wolverhampton Borough Council. He was a Vice-President of the Royal Wolverhampton School, and was actively interested in the Boy Scout movement.

In Freemasonry, he was a Grand Lodge officer, a past grand standard bearer, past grand provincial warden of Staffordshire, a founder-member of the Prince of Wales' Lodge, Wolverhampton, and a past master of the Gabriel Goodman Lodge in North Wales.

### HENRY PITMAN CHURCH

We regret to record the death on April 2 of Mr. H. P. Church, F.S.A.A. Mr. Church was 86 years of age, and had been a member of the Society of Incorporated Accountants for sixty years. He attained Honours in the Final Examination in 1891. After a considerable period with a professional firm in London, he went to Ceylon in 1897 and commenced public practice in Colombo, remaining there for over twenty years. On his return to London he became a director of Harrisons & Crosfield, Ltd., until his retirement in 1930. The funeral took place on April 6 at Witton Church, Norwich, where his son is rector.

### CHARLES VICTOR ROBERTSON

We have received with deep regret news of the recent death of Mr. C. V. Robertson, F.S.A.A., F.C.A. (Australia), President of the Victorian Branch of the Society of Incorporated Accountants. Mr. Robertson became a member of the Society in 1927. He was a partner in Messrs. Hemingway and Robertson, Melbourne, and chairman of the Hemingway Robertson Institute, a large coaching organisation for accountancy and for secretarial work.

He was elected Vice-President of the Society's Victorian Division in 1929, and in 1946 accepted the office of President.